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By Bronwen Maddox and

Robert Peston in London

MAXWELL Communication

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Wednesday December 18 1991

World News

US hails EC compromise on Yugoslav republics

The European Community's compromise on the recognition of Yugoslav republics is unlikely to settle differences over the speed of the recognition process.

The US welcomed the EC's decision to postpone until Jan-uary 15 diplomatic recognition of Croatia and Slovenia as independent republics, saying this would allow more time to find a political settlement However, Chancellor Helmut Kohl said Germany would press ahead immediately to grant the republics recogni-tion. Page 14; Editorial comment, Page 12; A curious role reversal, Page 13

German unity pledge Germany's ruling Christian Democratic Union agreed a manifesto which makes the forging of unity between the two halves of Germany the priority. Page 2

THE SECOND SECON Polish PM gives up Polish prime minister Jan Olszewski, a former Solidarity lawyer, gave up his attempt to form a government, saying President Lech Walesa refused to co-operate with him.

Page 2 Food convoys attacked Starving Ethiopians are attackng relief convoys, forci delays in delivering food to the famine-hit eastern region, the main United Nations refugee organisation said.

Gadaffi's Lockerbie view Libyan leader Muammer Gadaffi said bad weather caused the 1988 airliner disaster at Lockerbie, Scotland, which killed 270 people - not a Libyan bomb as claimed by the US and Britain. He said the aircraft exploded on the ground after it ploughed through a petrol station.

Nurses compensated Two British military nurses sacked after becoming preg-nant won a sex discrimination case against the government and were awarded a total of £25,000 (\$45,000) in compensa-tion by the London High Court. Page 8

New Zealand agreed not to demand the extradition of a French spy accused of helping bomb the Greenpeace ship Rainbow Warrior in 1985. The French Foreign Ministry said the affair was now closed.

Hawke under pressure Australian prime minister Bob Hawke came under more pressure to resign when an opinion poll showed a further sharp fall in his popularity among recession-weary voters.

Trinidad's new leader Patrick Manning, a 45-year-old geologist, became prime minis-ter of Trinidad and Tobago after an emphatic victory by his People's National Movement party in general elec-tions. Page 6

Split on Zionism repeal Israel welcomed repeal by the United Nations General Assembly of a 1975 resolution equating Zionism with racism, but a number of Arab countries protested at the move.

New territory Canada's federal government and leaders of the aboriginal inuit people have agreed to create the semi-autonomous Nunavat Territory. It will comprise most of northern Canada and the Arctic islands.

Politicians in jail Several Greenland politicians spent the night in police cells in the capital, Nuuk, after their parliamentary Christmas party - the only occasion in the year when alcohol is allowed in the parliament building -

President's popularity hits new low as economic outlook worsens Banks upset French group set to control Italian water

Leading French foods group BSN yesterday amnounced that it was poised to take full con-irol of four Italian mineral water brands — a move that will make it Italy's biggest

pany, signals a new shake-up in the European mineral water industry. Page 15

US-CHINA TRADE: China has been told that negotiations with the US over intellectual

MITSUBISHI OIL's plan to take a rescue stake in strug-gling Japanese oil refiner Fuji Kosan was clouded by a Tokyo Stock Exchange investigation into the trading of Fuji Kosan shares. Page 17

A&P supermarket chain of the US, which is 53 per cent owned net profits down to \$3.92m from \$32m for the same period a year earlier. Page 17

BRITAIN's public sector finances recorded a surprisingly low deficit last month of about £400m (\$728m), raising hopes that the government might be able to hold its 1991-92 borrowing requirement at the £10.500 forecast last month. Page 7; Lex.

Electronic Media Network is set to sign a deal with Kenya Television Network on a partnership to run a subscriber-only satellite TV station from

THYSSEN, German industrial and trading group, suffered running as low demand and prices hit its steel and engineering interests. Net profits for the year to end September fell to DM520m (\$329m) from DM690m last time and DM825m

in 1988-89. Page 15 LASMO of the UK, which is bidding £1.2bn (\$2.2bu) for fellow oil and gas group Ultra-mar, bought 3.55 per cent of Ultramar's shares at £3 each. tesuits of the takeover offer will be disclosed later today.

NORWICH UNION, UK life assurance group, announced it was cutting payouts to policyholders by about 9 per cent. Other UK life companies can be expected to follow NU's lead when they announce bonuses next month. Page 15;

Lex, Page 14 gered by Japanese investors cutting their losses on Tokyo Commodity Exchange futures

NEW ZEALAND scrapped plans to balance the budget in three years because of weak-er-than-expected economic growth, lower tax returns and changed social costs. Finance minister Ruth Richardson said the 1991-91 budget deficit would be NZ\$2.7bn — NZ\$1bn

BRITISH GAS signed a deal with Tunisia to develop at 30bi cubic meter gas field off the south-eastern port of Sfax at at cost of \$630m.

brands

mineral water supplier.
The acquisition from Ifil,
an Agnelli family holding com-

EUROPEAN COMMISSION is expected to start investiga-ting nearly DM2bn (\$1.2bn) worth of German state sid to help Opel, Volkswagen and Mercedes Benz create car-mak-ing capacity in the country's five new eastern länder.

SG WARBURG, the British government's lead adviser in the BT sale, has been buying back partly paid BT shares to stabilise the price. Page 15

property rights protection must be concluded by January 16 or Washington is ready to impose sanctions. Page 5

by Germany's Tengelmann Group, reported third-quarter

AFRICAN TV: South Africa's

PLATINUM plunged by \$7.75 a troy ounce in London to close at \$348.65. The fall was trig-

contracts. Page 22

said yesterday, abandoning previous claims that the recov-ery had merely stalled. Its statement came after a

new poll showed that Mr George Bush's popularity has dropped to the lowest level of his presidency. It heightened expectations of a half percentage point cut in the Federal Reserve's discount rate, currently 4.5 per cent.

Mr Bush's rating has slipped to 47 per cent, according to an to 47 per cent, according to an ABC News-Washington Post

poll. This adds weight to other surveys showing a steep drop in public confidence in his han-dling of the economy and in the prospects for a rebound.

The official admission about the recession reflects the view among Mr Bush's advisers, including Mr Samuel Skinner, the new White House chief of

THE US economy is still in staff, that the president's popurecession, the White House larity has been damaged by a failure to acknowledge the weakness of the economy and difficulties facing ordinary Americans.

Americans.
Yesterday Mr Marlin Fitzwater, White House press secretary, said: "The people of this
country know that the economy is in trouble. It doesn't
make any sense to try to play
rames." games."

Mr Alan Greenspan, chairman of the Pederal Reserve, is believed to share this view and to doubt whether further cuts

in interest rates alone would revive the economy. He is scheduled to testify to Congress on the economy today.

The unrelenting bad news in the polls is increasing Republican pressure on the Fed to lower interest rates, and is raising the stakes shead of Mr Bush's State of the Union

PAGE 6 ■ US home starts fall in line with weaker trend SECTION II

US says recession continuing

■ Currencies 34 Wall Street market report Back Page

address to Congress next month, when he is expected to

unveil an economic growth

The Federal Open Market Committee, the Fed's policy-making arm, met yesterday to discuss a possible discount rate cut. A cut would prompt a further reduction in bank prime lending rates, now 7.5 per cent.

The administration had argued that a short, mild reces-sion had bottomed out in the spring and that the economy had subsequently "stalled".

But recent statistics have end of the year. In Japan, Mr pointed to renewed contraction, Industrial output fell 0.4 per cent last month, a much sharper decline than expected. Employment fell by almost

The administration's economic advisers are sticking to their prediction that the econ-omy should turn round by next spring, but official gloom has

begun to colour all presidential actions and statements. Mr Bush's sensitivity to criti-cism that he has been too pre-occupied with foreign affairs prompted him to let Mr James Baker, US secretary of state, deliver a major policy address on the Soviet Union last week. Mr Bush has also invited the

chief executives of Detroit's big three car manufacturers -General Motors, Chrysler and Ford - to accompany him on his trip to Asia starting at the

Bush intends to press for a cut in the trade imbalance giving Tokyo a choice of either increasing imports or restricting its exports to the US. The ABC News-Washington Post poll showed that seven in

10 respondents disapproved of

Mr Bush's handling of the economy, and even among Republicans, six out of 10 expressed criticism.
The poll also showed that Mr Bush's negative numbers are rubbing off on the Republican party. Democrats - by a mar-gin of 43 to 36 per cent - are

rated as better able to tackle economic problems.

"We take these (poll) num-bers to heart and I can assure you that we'll be increasing our efforts to take action on a number of fronts to turn the economy round", Mr Fitzwater said yesterday.

Corporation, one of the two public companies once con-trolled by the late Mr Robert Maxwell, yesterday filed for administration in London as a further measure to protect it

from its creditors.

The use of the UK insolvency procedure follows MCC's petition to US courts on Monday under Chapter 11 of US bankruptcy law for protection from creditors for 180 days procedure. days, pending reconstruction.

The filing for Chapter 11 protection brought a furious response from MCC's 43 banks, which are owed £1.3bn (\$2.35bn) by MCC and are are trained to have their own

trying to have their own receiver appointed.

The High Court in London will decide on Friday whether to appoint accountants from Touche Ross as administrators, which is MCC's prefereuce, or to choose Price Water-house as administrative receiver, as MCC's banks have

requested.
MCC will argue that as Price Waterhouse has been acting for the banks, which represent around 80 per cent of the com-pany's creditors, there would be a conflict of interest. Mr Peter Laister, who took

over two weeks ago as MCC's chairman, said the company had filed for protection in both countries to provide the same timescale for restructuring.

The board's decision to peti-tion for Chapter 11 late on Monday night followed a meeting with the steering commit-tee of MCC's banks. Mr Laister said "we were not confident that we could get a standstill from the banks" to freeze

imminent repayments.

MCC's directors took three factors into consideration when deciding to seek protection from creditors.

• MCC faced substantial pay-

ments to two US investment banks on foreign exchange contracts in the next three weeks. It had to pay Goldman Sachs \$29m before Christmas. A further sum of \$23.7m was due to Salomon Brothers.

It needed a cash injection of £50m from its 43 banks to fund

its operations pending a full reconstruction. The banks vide the funds if they given security for the loan. Any provision of collateral would have put MCC's bonds Continued on Page 14



US secretary of state James Baker (centre) is greeted by Askar Akayev, president of Kirgizia, on his arrival at Manas airport yesterday

last night harshly criticised Mr Egor Gaidar, the Russian deputy prime minister, for his remarks on Saturday that the bank was "technically bank-

support Vnesheconombank,

rupt".
Mr Sterlikov said foreign banks were still prepared to

Mr Vladimir Sterlikov, the and termed Mr Gaidar's match Russian price increases remarks "incredible' Mr Konstantin Masyk, Ukraine's deputy prime minis-ter, yesterday confirmed Ukrai-nian plans to introduce coupons in January to function as

a parallel currency.
Ukraine has a severe shortage of roubles, which makes it difficult for the republic to

scheduled for January 2, and the coupons are viewed as a temporary solution to the crisis. However, western econocreation of what is, in effect, a second rouble may worsen the already rampant inflation.

Army assurance, Page 2

More reports, Page 16

Commission freezes bid for Wagons-Lits

bond placements, and short-term debts and facilities, on which the Soviet Union will

continue to pay principal as

Bankers estimated the amount of principal being deferred at about \$5.4bn -

comprising some \$3.4bn due in December and \$2bn due in the

first three months of next year.

All the debt is thought to have

been rolled over for a period of 90 days.

well as interest

THE European Commission yesterday said it was suspend-ing the controversial takeover bid by Accor, the French catering and hotels group, for Wag-ons-Lits, the Franco-Belgian

travel company.

The commission said it had "serious doubts" about the deal's effect on competition in motorway services and hotels.

Under EC merger rules, the
Commission has four months to pronounce on Accor's bid for Wagon-Lits. The EC anti-trust director-

ate's concerns are focused on the dominance which the proposed combine would have on motorway restaurants and catering in France, in which Accor and Wagon-Lits are, respectively, first and second, and where other competitors are much smaller But the Commission will

also examine the deal's impli-cations in the hotel business. The chief activities of Accor and Wagon-Lits are in France and Belgium, but the two companies also operate in Germany and Spain. Accor owns

the Motel 6 chain in the US The Commission said it was suspending Accor's bid, which is due to close tomorrow, from taking legal effect. Share trading could continue, but none of the rights attached to those shares could be exercised, and Wagon-Lits' structure could

another indication of the take-

over of central institutions by the Russian authorities.

The official registration of Vnesheconombank under the

Russian central bank was due

to take place yesterday. Vnesheconombank has been

transformed into a "commer-cial" bank, with its shares held

by the central banks of the for-

wagon-lits structure could not be changed.
Wagon-Lits' share price yesterday fell by BFr410 to BFr8,500 after the Commission's investigation was announced. The bid for the Franco-Belgian group was launched two months ago at BFr8,650 a share. Earlier this month, however.

a Belgian court told Accor and Société Générale de Belgique, its partner in the bid it would have to raise their offer to BFr12,500 a share, the price at which they had bought a 27 per cent stake in July 1990. Accor is appealing against the ruling. The higher price would while the entire company at value the entire company at about BFr6.8bn (\$210m).

World Stock Markets, Back Page, Section II

London brokers fined

FIVE City of London broking over the market-rigging scan-

options exchange.
In one of the widest-ranging series of actions by London regulators, six individuals were singled out for criticism, three of whom also resigned from the board of Fox, which

of the most damaging episodes to hit London's derivatives

markets in recent years. However, the Securities and Futures Authority, the regula-tory body for the industry, declined to use its powers to suspend or ban particular firms or individuals, prefer-

MARKETS

By Richard Waters in London

firms were fined yesterday in a swathe of disciplinary action dal this autumn that shook the London Fox, the futures and

trades soft commodities such Coming just 10 weeks after the scandal broke, the moves indicate the unprecedented urgency with which regulators have moved to deal with one

ring to impose relatively mod-Continued on Page 14

STOCK INDICES

STERLING DOLLAR New York

> DM1.5755 FFr5.3805 SFr1.393 Y128,48 QM1.578 (1.5785) FFr5.39 (5.3925) SFr1.394 (1.395)

4.233% Long Bond: 10213 FT-SE 100: 2,432.9 (-7.9) FT-A All-Share: 1,165.56 (=0.4%) FT-SE Eurotrack 100: New York Junchtime:

DJ Ind. Av. 2.913.91 (-5.14) 383.86 (-0.60) Tokyo: Nikkei 22,735.29 (-100.38) LONDON MONEY 3-month interbank: 10 % % (10 11 %) Liffe long gilt future Mar 9633 (9633)

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CONTENTS

East Asia: A continued strong US commitment | Wanted: an anti-dumping deal remains important while tensions linger ____ 12 by the end of the week Yugoslavia: EC compromise on the Yugoslavia crisis deserves to be welcomed _____13 Japanese economy: Forecasters differ over

whether it will be a soft or hard landing14 Peru: The Shining Path that begins with hun-Lex: UK borrowing, Racai, Glaxo, Cable &

Wireless, Norwich Union Pages 23-26 Qil and gas industry: ... 1992; The European Market 18-21

Arts Guide + Reviews . 11

Uruguay Round negotiations on anti-dumping have stalled, leaving Gatt directorgeneral Arthur Dunkel until Fri day to find an answer to problems that have persisted for he past five years

-Landon

\$357.3 (359.65) N SEA OIL (Argus) \$18.175 (18.55) Chief price changes yesterday: Page 15

\$ 359.1 (360.9)

New York \$1.8225

COLD

London: \$1.8205 (1.8215)

DM2.8725 (2.875) FFr9.8125 (9.8225

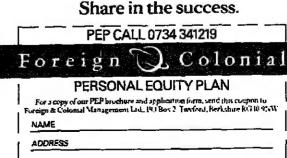
SFr2.5375 (2.54)

Y234.25 (234) £ index 91.4 (91.5)

New York Comex Feb Y128,6 (128.45) Tokyo close:Y128.28 US lunchtime rates Fed Funds: 47 % 3-mo Treasury Bills

yield: 7.751%

An increase of 556% that would place Foreign & Colonial in the very front



Soviet military assures Baker of neutrality

Mr Baker continued his

The Supreme Soviet, for

years relatively obedient to his

will, yesterday finally demanded his resignation. An appeal adopted by the lower house of the legislature said that "as the president has kept himself aloof from important

national and state issues. we raise the question of his resig-

The White House said yes-terday it still intended to host

an international conference in

Washington to co-ordinate Soviet aid, in spite of French

The January conference was proposed last week by Mr

Baker as he was preparing for his trip to the Soviet Union. But President François Mitter-

rand of France told President George Bush that it would be a waste of time.

White House spokesman, told reporters: "We think that this

co-ordination is necessary as we focus on Soviet needs. Pres-ident Mitterrand doesn't feel

Mr Marlin Fitzwater, the

opposition, Reuter reports.

By John Lloyd and Gillian Tett in Moscow

call a spade a spade - a civil war is going on here." MR James Baker, US secretary of state, has been assured the Soviet army will stay out of politics. However, he received rapid tour of the Soviet Union with a trip to the Central Asian republic of Kirgizia yesfurther evidence yesterday that Soviet politicians cannot stay terday - as Mr Mikhail Gorba away from the Soviet army, as chev, the Soviet president another republican president whom Mr Baker has already declared himself commander in politely consigned to history, continues to fight for at least a chief of the Soviet military on few more weeks of power.

his territory.
US officials told reporters
that Mr Baker had been told by Marshall Yevgeny Shaposhnikov. Soviet defence minister. that the army would accept whatever was agreed by the

The Reuters news agency quoted an official as saying that "what we got was a pretty clear reflection of a military that is not going to intrude into politics

However, Mr Ayaz Mutalibov, the Azerbaijani president, yesterday followed Mr Leonid Kravchuk, the Ukrainian president, in declaring himself head of the military forces on his territory - after a vote in the Azerbaijan parliament.

However, the commander of the Caucasian military district, which covers Azerbaijan, made a plea yesterday for his forces to be withdrawn

Major General Anatoly Kuli-kov told the Krasnaya Zvezda newspaper that 450 troops and civilians had been killed in eth-nic wars in the region. "We don't belong in the Transcau-casus any more. We have to disagree with him."

Gorbachev 'accepts end of union by January'

By Our Foreign Staff Gorbachev has accepted that the fast-disintegrating union will cease to exist by the end of this year, Russian President Boris Yeltsin said yesterday.

After a meeting with Mr. Gorbachev, Mr Yeltsin told the Russian Information Agency that the Soviet president had come to terms with the formation of a Commonwealth of Independent States to replace the Soviet Union.

Liquidation of Soviet structures "would be completed in December, so we can start to live a qualitatively new way without the former Soviet Union by January," he said.

The process marks the final stage of the transfer of central power from the Soviet Union to the Russian federation. Structures not appropriated by Russia will be abolished. Tass news agency quoted Mr

Gorbachev as saying he would accept the commonwealth proclaimed on December 8 by Russia, Ukraine and Belorussia - although he still believed the dismemberment of the Soviet Union would lead to a worsening of problems. Mr Yeltsin had met the

Soviet president to discuss the meeting of 10 heads of repub-lics in Alma Ata on Saturday to sign an agreement extend ing the commonwealth to cover all but two of the Soviet

Earlier Mr YeltsIn told the Italian newspaper La Repub-blica that Mr Gorbachev would be useful only while power was being transferred to republican level, and that he would have to "take a deci-sion" on Mr Gorbachev's future before the middle of



Arch conservative Viktor Alksnis, who heads the Soyuz group, addresses an empty Soviet parliament yesterday. The legislature has increasingly lost its authority as the power of the central government diminishes

Russia considers fuel clawback

By Andrew Hill in The Hague

RUSSIA could be left drastically short of diesel and crude oil this winter if it honours all export licences granted

in the confusion following August's abortive coup. Mr Vladimir Lopukhin, Rus-sian energy minister, indicated yesterday that a combination of corruption and poor communication had left the federation with licence commitments for this month which will exceed its dwindling out-

Mr Lopukhin, in The Hague for the signing of the European energy charter, suggested that much of the oil committed for export would have to be clawed back for domestic con-

He said export licences had been granted for 33.6m tonnes of crude oil in December, when Forty-five countries and former Soviet republics yesterday

signed the European energy charter, opening the way for a formal treaty which should help regenerate the economies of central and eastern Europe, writes Andrew Hill.

The declaration was also widely interpreted as a first step towards international recognition for the autonomous Soviet states. Of the 12 republics, only Armenia and Azerbaijan were unable to sign yesterday.

the old Soviet Union's largest

energy producer - has been hamstrung by the disintegra-

tion of the central energy authorities and by neglect of the energy infrastructure

under centralised manage-

But Mr Lopukhin said Russia was already planning to

improve its energy links with Kazakhstan, another producer

NEWS IN BRIEF

majority coalition in parliament.

this month's production would be 36m tonnes. In diesel fuel the discrepancy is even greater, with production estimated at 5.6m tonnes and licences granted to export 14.1m tonnes.

The rogue contracts were granted between August and mid-November, when a Rus-sian decree set out a more formal structure for granting

of oil and gas, and was making moves to break up its monop-oly oil and gas association into The development of a separate energy policy in Russia -

competing fully-integrated

One such company, Lukoil, was set up about three weeks ago. Between eight and 12 similar companies are planned within the next six months, some in partnership with other

Mr Lopukhin said the energy charter, designed to help the old Soviet Union exploit its establishment of normal rela-tions between the republics, almost all of which signed or are expected to sign yesterday's declaration.

But he added that progress to a free market was bound to be slow at first. "It's like coming out of prison: you don't want to go to work immediately, you want to lie on the grass for a while." aid for car makers By David Buchan

EC to probe

in Brussels

German

THE European Commission is today expected to launch an investigation into nearly DM2bn (£700m) worth of German state aid to help Opel, Volkswagen and Mercedes-Benz create new car-making capacity in the country's five new eastern laender.

Sir Leon Brittan, EC competition commissioner, will try to convince his Commission colleagues that the ald, to be passed through the Trenhand passed through the free privatisation agency, deserves further scrutiny on two grounds. Firstly, it was not formally notified to Brussels, as required under EC rules governing state aid to the car sector. Secondly, the aid "does not appear to correspond to what would be the normal ehaviour of a private investor

official said yesterday.

However, the Commission could still allow the aid to go ahead, if it does not appear to distort trade within the EC.

distort trade within the EC.

Earlier this year Brussels gave approval, and even contributed, to heavy public funding of a new Ford-VW plant to make recreation vehicles in a depressed part of Portugal. It justified this decision by saying this was a sector of high growth in the car market.

By contrast, EC officials say By contrast, EC officials say the investments in eastern Germany come at a time of depressed demand in the EC market for regular cars.

Always on the scent of commercial irregularities, the European Commission yester-day announced it had sniffed — and snuffed — out a number of restrictive practices in the marketing of luxury perfumes. As a result, Brussels said, Yves Saint Laurent Parfums, the French perfume company, had agreed to modify its distribution contracts, allowing distributors to have more free-dom to set prices and trade among themselves.

The Commission concedes

that makers of luxury per-fumes have a right to be selec-tive about retail outlets, but that more competition was needed in the sector.

The Financial Times (Europe) Ltd.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungsaplatz 1, 6000 Frankfurt-am-Main I: Telephone 49, 69 15683; Faz 49 69 596443!; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as seembers of the Board of Directora, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Paimer, London Printer: DVM CmbH-Hürriyet International, 6078 Neu-Leenberg 4, Frankfurt, Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SEI 9HL. The Financial Times Ltd., 1991.

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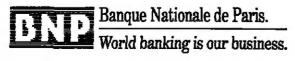
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In all BNP manages 170 billion FRF through 43 Unit Trusts and Mutual Funds.



Sweden's budget deficit for the current financial year will amount to SKr50.6bn (24.8bn), far worse than expected, writes Robert Taylor in Stockholm. This was announced yesterday by the state audit office, which also estimated the deficit for 1992-93 would

Swedish deficit worse than forecast

Polish PM drops bid

MR Jan Olszewski, Poland's prime minister, yesterday abandoned

attempts to form a government, blaming opposition from President Lech Walesa. The move leaves the president free to return to options originally suggested six weeks ago when the search for a government began. One of these envisaged combining the post of

resident and prime minister. Mr Olszewski told MPs that Mr Walesa said he would not

co-operate with a cabinet presented to him yesterday. The president only grudgingly nominated Mr Olszewski as prime minister earlier this month when he won the support of a centre-right

to form government

The central bank yesterday cut its interest rate to banks a further 1 percentage point to 14 per cent, in response to the strong net SKr25.6bn inflow of capital into Sweden in the week since the bank's 6 point increase in the rate to 17.5 per cent.

Optimism over French growth

French economic growth is expected to pick up slightly to an annualised rate of 2 per cent in the first six months of 1992, according to the latest forecast from Insée, the state statistics body, writes William Dawkins in Paris.

Mr Pierre Bérégovoy, finance minister, said this was compati-ble with the assumption of a 2.2 per cent growth in gross domestic product for next year, on which the government planned its 1992 budget.

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1. Subscription Price before adjustment: Yen 1,230.00 per share 2. Subscription Price after adjustment: Yen 1,203.70 per share 3. Effective Date of adjustment: 18th December, 1991 (Japan time)

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18th December, 1991

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EDNESDAY DECEMBER | 18 | 16

But the terms of the compromise are far from certain to help mediation efforts in the disintegrating Yugoslav federa-

Carrington's Hague peace con-

After 10 hours of often rancorous debate, the 12 said they would recognise those Yugoslav republics willing to: · Accept UN, Helsinki Act. and Paris Charter commit-

THE compromise patched democracy and human rights. • Guarantee ethnic and in January).

minority rights. There was little difficulty in Accept the inviolability of

all frontiers. Honour all commitments to disarmament and regional Settle by agreement or arbi-

tration whatever framework replaces the old state. Accept the draft "convention" on Yugoslavia's future worked out by the Hague peace

conference.
All but the last of these conditions come from a sovereignty fitness checklist devised by France to deal with all new states emerging in Europe. The last is supposed somehow to ensure the republics return to the negotiating table at the Hague (or possibly Lisbon, when Portugal takes over the

EC presidency from the Dutch told them Bonn will recognise

agreeing the "motherhood list" as a Dutch official termed it; but every difficulty in restraining Bonn from break ing EC ranks and recognising Croatia and Slovenia this

Although EC constitutional lawyers attached to the Hague conference are supposed to decide which independenceseeking republics qualify for recognition, Germany may well keep Chancellor Helmut Kohl's promise to recognise Croatia and Slovenia before Christmas, and implement this decision automatically on January 15.

Senior Slovene officials say Mr Hans-Dietrich Genscher, Germany's foreign minister,

the breakaway republics tomorrow. For the rest of the EC, there is nothing automatic about January 15's decision.

It is easy to pick holes in this fudge. The criteria are simultaneously inadequate and over-reaching. Mr Hans van den Broek, the Dutch foreign min-ister, conceded that a standard international criterion for recognition, that a government be in effective control of its territory, could be a problem in Croatia, where Serbian irregulars and the Serb-dominated federal army hold enclaves

they are fighting to extend.
At the same time, while
Serbia and Croatia may be required legally to respect minority rights, there is nothing in international law which says they must accept the EC's

blueprint for Yugoslavia's vina and Macedonia. future drawn up at the Hague. Serbia's rejection of this loose confederation was one reason the conference broke down.

At issue is not whether the EC takes sides. The 12's attempts to single out Serbia for sanctions, because of its expansionism, in practice does this already. As a UK official put it, the dispute was about "a judgment over the timing of recognition".

Bonn's 11 partners (with the tepid exception of Denmark), the Security Council, and -belatedly - the US, all urged restraint on Germany. Lord Carrington, who has chaired the conference with ruthless pragmatism, said premature recognition could sink the peace effort and spill the fight-ing over into Bosnia-Hercego-

Mr Genscher was not impressed. Since the summer Germany has irritated its partners with threats of unilateral recognition. Dutch and other officials have argued that this attitude fueled Croat determi-nation to fight rather than

negotiate, and allowed the Ser-

bian leadership to fan irreden-tist flames, by reminding Serbs that the Nazis backed the wartime fascist state in Croatia. Asked whether yesterday's compromise would damage both Yugoslavia and the EC. Mr Van den Broek said "some fear recognition will exacer-bate the situation; others take a different view. But we have a full month from now." In more ways than one, he might have added. For it will be both full

CDU sets out policy to forge a new Germany

GERMANY'S ruling Christian European force. Democratic Union (CDU), senior partner in the governing coalition, succeeded yesterday in papering over divisions on a new manifesto for the 1990s. Its policy now makes the forging of genuine unity between the two halves of Germany the priority - with a clear implication that this means restraint in the west to pay for the east. It also calls a more dynamic and force

for a more dynamic and to ful German foreign policy. Eastern deputies were outvoted when they called for an investigation of all CDU members of the Bundestag - west-ern as well as eastern - to eck for links with the former

East German secret police. The so-called Dresden Manifesto was unanimously approved on Monday night and is intended to provide the party with a broad enough programme to accommodate all from Catholic west to Protes-

tant east. On foreign policy it committed the party to creating a united states of Europe and calls for an end to the constitutional ban on using German troops "out of area", arguing for their use both in UN

It does not call into question the borders of the united Germany, but suggests that Germany has a special responsibility for Germans living in other countries. It also calls for the creation of a "Euro-region" for example Silesia, Bohemia and Saxony - to promote spe-cial regional co-operation where Germans live on either sides of national borders. On internal policy the stress

is on investment in the east, at the probable expense of greater social security in the west.
As for the "sins of the past",
the party wants both retribution and forgiveness for those

who may have collaborated with the Stasi. Anyone guilty of bending the law should be banned from public office, it says. But "at the end of the necessary clarifications, reconciliation and social harmony must prevail".

A last-minute vote at the party congress shelved any debate on the divisive issue of abortion, but lingering suspiremain. The problem of reconciling an extremely liberal abortion law in the east with a highly restrictive law in the peacekeeping and peacemaking exercises, and in any future west will have to be left to the party's MPs to resolve.

IG Metall pressure over E German restructuring

By Leslie Collit in Berlin

GERMANY'S militant IG Metall engineering union, has demanded that the government and the Treuhand privatisation agency stop opposing the creation of a holding company to restructure ailing east German

Mr Horst Wagner, head of the Berlin-Brandenburg region for IG Metall, warned that if Bonn did not quickly drop its opposition there would be no industrial companies left to restructure in east Berlin and surrounding Brandenburg state. The loss of jobs was already dramatic and had exceeded all the "worst fears",

he said. Berlin-Brandenburg had an effective unemployment rate of 60 per cent, or 923,000, which was three times the official jobless figure.

Mrs Birgit Breuel, the Treu-hand president, was adamant last week that it would be a mistake to set up a state-supported holding company to restructure east German com-panies. Such a step would create "two classes" of companies and employees while separat-ing the companies from the market. She signalled that the closure of unviable east German companies would be stepped up in coming weeks.

Capital gripped by fear and anger

OUTRAGE and fear yesterday enveloped Belgrade, the Ser-bian and federal capital, after the Community decision to offer to recognise the six Yugoslav republics as indepen-

dent states. Mr Dobrosav Veizovic, Serbia's deputy foreign minister, said: "The EC has not given up its intention of committing a unilateral act to break up Yugoslavia." The Socialist-controlled Serbian parliament yesterday went into closed-door

emergency session.

Ms Smilja Avramov, Serbia's legal adviser, told Belgrade Radio: "The EC last night com-

mitted aggression on Yugoslavia with its decision...[it]
means the endangered existence of a sovereign and internationally recognised country
- Yugoslavia." The Serb-controlled state presidency
appeared to reject the EC decision by saying it would "persist in defending the inalienable rights of nations and the
dignity of Yugoslavia".

While official Serbia lashed
out at the EC, Belgrade's

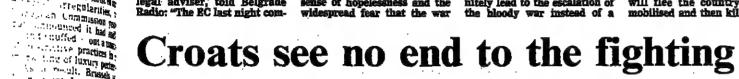
out at the EC, Belgrade's inhabitants seemed auxious and confused. Thick for in the city centre underscored the sense of hopelessness and the widespread fear that the war

will spread to Serbia.
Said Bojan, a 30-year-old lawyer. The KC decision has pushed all of Yugoslavia, including Croatia and Slovenia, further into the abyss. Although the Community managed to preserve its unity, it leaves Serbia with little choice except war to protect the Serbs outside of the repub-

tia and Bosnia-Hercegovina. Mr Radovan Karadzic, leader of Bosnia's Serbs, said: "The dictation of the EC will definitely lead to the escalation of the bloody war instead of a

peaceful, democratic solution." In the view of Mr Dragoljub tion Democratic Party: "The EC decision seeks the quickest solution. It's a dangerous half-compromise, because now there is a race against time: What will happen first? The blue helmets or the recognition of Croatia and Slovenia?

Olga, a 24-year-old student, said: "I have had enough of this politicians" war. I don't just scared everyone I know will flee the country, or be mobilised and then killed."



THE people of Zagreb, Croatia's capital, yesterday showed little enthusiasm for the EC decision to recognise the republic's independence on January 15 if it meets certain

> Perhaps the bitter weather, the months of war, and the loss of thousands of lives, had numbed their feelings. But it was also the sense that recognition would not end the fighting, nor help heal the deep antagonisms now felt by the federal army four

Croats and Serbs living in the

republic.
"Of course we will be recognised in January. We have met all the conditions. We have excellent rights for the Serbs here," said Dalia, a young student. "Once we have the recog-nition, we can buy arms to beat back the Serbian aggressors and the army. That is the

months ago, is waiting to be called up to the Croatian army.
I will join. I have no choice. Recognition or not, the war will continue. I am very pessi-mistic," he said.

mistic," he said.

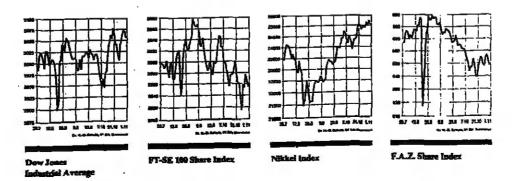
And what is the prospect of living in peace with the 560,000-strong Serb community? "The Serbs who live in the cities do not support Serbs, or the army," said Drazan Susic, a 24-year-old engineer. "But there are many radical Serbs living in the villages

who will continue fighting. Personally, we will never be able to trust each other again." Maja Stasic, a 35-year-old dentist, could hardly refrain from crying when she was asked about what recognition meant for her.

"There has been massacre: of Croats by Serbs, and of Serbs by Croats. This has been a terrible war. How can we construct our lives together again, if and when the war-







Vital Signs of International Financial Markets

The Dow Jones Industrial Average

For nearly a century - since 1897 - the Dow Jones Industrial Average, named after American journalists Charles Henry Dow and Edward D. Jones, who also founded The Wall Street Journal, has been synonymous with the world's largest bourse, the New York Stock Exchange. The Dow is used around the world as a barometer of the economic health of the U.S.

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The FT-SE 100 Share Index is recognized internationally as the leading benchmark of price developments on the London Stock Exchange. Calculated every minute on each trading day by the London-based Financial Times, the index represents some 70% of the total value of the U.K. equity market.

The Nikkei Index

Since 1968, the Nikkei Index has been the leading indicator of price movements on the Japanese stock market. Based on the prices of all shares traded on the First Section of the Tokyo Stock Exchange, it is compiled by the Nihon Keizai Shimbun, Japan's leading business and financial daily newspaper.

The F.A.Z. Share Index

Since 1961, the F.A.Z. Share Index has tracked price movements on the German stock exchanges. In international financial and investment circles, it is recognized as a reliable monitor of German equity markets. The index is a service provided by Frankfurter Allgemeine Zeitung.

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ZEITUNG FÜR DEUTSCHLAND

GERMANY'S LEADING DAILY AND **BUSINESS NEWSPAPER**

By David Housego in New Delhi

INDIAN banks should no longer be required to channel credit in line with government determined priorities, according to an official report published yesterday that recommends sweeping changes in

India's banking system.

The report, which describes the state-owned Indian banking system as "over-regulated and over-administered," says that increased autonomy over credit allocation and management is the key to improving

The report, commissioned by Dr Manmohan Singh, the finance minister, is silent on privatisation which was delibof reference of the committee that prepared it.

Warning of the risk of bank failures unless urgent measures are taken, the report recomniends a capital restructur-ing to achieve internationally accepted capital ratios. It also argues for some of the stateowned banks to merge to achieve a top layer of three or four Indian banks of interna-

tional dimensions.

The report, which should give renewed impetus to the government's flagging liberalisation programme, recom-mends that the government should be more generous in allowing foreign banks to open offices or branches in India.

It recommends the abolition of requirements that companies seeking to raise equity funds from the capital markets should first get government approval. "The issuer should be free to decide on the nature of the issue, its terms, and its pricing," says the committee. It recommends that the cani-

tal markets "should be gradually opened up to foreign port-folio investment." At present foreigners are only allowed to purchase indian stock indirectly through offshore funds. The report was commis-

sioned by Dr Singh as a way of preparing public opinion for big changes in the state-owned banking system. The recommendations of the committee, headed by Mr M. Narasimham, a former central bank governor, are in line with a recent World Bank report on the financial sector - itself seen as forerunner to a World Bank The committee was divided.

priority sectors.

NEWS IN BRIEF

Time running out for

ISRAELI, Palestinian and Jordanian negotiators met again yesterday but time was running out for them to reach agreement on how to set up talks on Palestinian autonomy, Reuter reports

Ethiopia yesterday appealed for 1.28m tonnes of emergency food relief in 1992 for 7.4m starving people, Reuter reports from Addis

Mr Simon Mechale, Relief and Rehabilitation Commission

(RRC) commissioner, told representatives of United Nations agen-cies and western donor countries the crop yield in 1991 was too

low to meet the country's needs.

Mr Simon blamed civil strife, tribal conflicts, drought, pests and widespread seed shortages for the poor performance.

China's decision to set up an organisation to promote further links with Taipei was given a cautious welcome by the Taiwan authorities yesterday. Mr Ma Ying-Jeou, vice chairman of Taiwan's official Mainland Affairs Council, said China had displayed a new pragmatism in China-Taiwan relations, Luisetta Mudie reports from Taipei.

The Association for Relations across the Taiwan Straits was

The Association for Relations across the Taiwan Straits was

opened in Beijing on Monday. It marks a change in China's policy towards Taiwan, and means that the two sides will now have a semi-official channel through which to discuss trade, communica-

tions and transport links, as well as common problems such as piracy and smuggling in the Taiwan Strait.

A senior Japanese official travelled to Burma yesterday to try to

persuade its military junta, which suppressed student protests last week, to heed international opinion, Reuter reports from

The three-day visit by Mr Kunihiko Saito, deputy foreign minister, is Tokyo's first high-level official contact with the military government in Rangoon in recent years.

Iraq said yesterday that 80,000 children had died because of

said yesterday that solve children had died because of shortages caused by UN sanctions imposed over its invasion of Kuwait, Reuter reports from Cairo. Mr Nabil Nejim al-Takriti, Baghdad's emissary to the 21-member Arab league, made the claim and urged member states to send Iraq medicine. The envoy said Iraq had run out of key drugs including cancer treatments.

Libyan leader Muammer Gadaffi said bad weather caused the

1988 Lockerbie airliner disaster which killed 270 people - not a

Libyan bomb as charged by the US and Britain, who are demand-

ing that Tripoli hand over two agents they accuse of planting the explosive, Reuter reports from Rome.

Sanctions 'kill 80,000 children'

Gadaffi blames the weather

Taiwan welcomes China move

Mideast negotiators

The report says that 63.5 per cent of bank deposits are pre-empted for lending to the pub-

ernment deficit through statu-tory liquidity ratios and other reserve requirements. The

report says this proportion must come down from this

from Washington.

Ethiopia appeals for aid

Japanese plea to Burma

outlook worsens

By Terry Hall in Wellington

MS Ruth Richardson, New Zealand's finance minister, than expected budget forecasts for the next three years, largely as a result of lower tax receipts brought on by the deep recession and the govern-ment's retreat on social cuts announced in the July budget.

She said the government had abandoned its plan to balance the budget in three years. This ted economic growth, lower tax returns, changes in social costs. which would add NZ\$450m (\$250m) a year to the and extra costs in implement ing structural reform in the public sector.

Widespread protests and a dramatic slide in the opinion polls have forced the government to pull back from a major

export growth. But unemployment would

grow to 13.1 per cent, and those with jobs would face real cuts

Reprieve for Rainbow suspect

By Terry Hall in Wellington

NEW ZEALAND said yesterday it would not seek the extradite suspected Rainbow Warrior saboteur Mr Gerald Andries from Switzerland, a move seen as reflecting fears of political and trade repercussions from France.

The decision halts a court case in Auckland that was seeking Mr Andries' extradition. He was arrested by Swiss police last month on a warrant issued by New Zealand police over the bombing of the Greenpeace ship Rainbow Warrior In Angkland Bashows in Yal-Mr Yossi Ben Aharon, head of an Israeli delegation in separate talks with Syria, said this round of negotiations, now in its second week, would probably end this week.

Mr Benjamin Netanyahu, the Israeli deputy minister, said he expected the next round would take place in late January.

Four full days of direct talks in Washington have produced little progress and on Monday the negotiations, pitting Israel against Syria, Lebanon and a joint Palestinian-Jordanian delegation, seemed on the verse of breakdown. Auckland Harbour in July 1988. A photographer, Mr Fernando Perlera, was killed in the incident.

Two French agents, Mr Alan Marfart and Miss Dominique Prieur, were sentenced to 10 years' jail after admitting manslaughter. But they served only a fraction of that time tion, seemed on the verge of breakdown.

The main sticking point is the disagreement between Israel and the Palestinians over the status of the Palestinian delegates, who want to negotiate self-rule for the West Bank and Gaza Strip independently of their Jordanian partners. after being transferred to French Polynesia when New Zealand bowed to French

> In April French Prime Minister Michel Rocard visited New Zealand to apologise for the incident and pay over a cheque for reparations. Mr Jim Bolger, the New Zealand prime minister, said then he hoped the matter was over.

Mr Doug Graham, the justice minister, said yesterday it was important that the international rule of law be respected. However Mr David Lange, who as prime minister in 1988 was castigated by Mr Bolger for his handling of the issue, said the decision was a "difficult pill to swallow." Greenpeace said it was considering attempting a private extradition so that Mr

Andries could stand trial.

NZ budget Pretoria discloses trade links with Africa outlook

By Philip Gawith in Johannesburg

South government has released details of its trade relations with the rest of Africa, disclosing business links with nearly every country on the continent despite the sanctions campaign against Pretoria.

The figures are the first released since 1985 when publi-cation of trade figures with individual countries was stopped because of the sanctions campaign.

The figures show that South Africa did more trade in 1990 with Botswana, Lesotho and Swaziland (members, with South Africa, of the region's Customs Union) and the nominally independent TBVC states (Transkei, Bophutatswana, Venda and Ciskei) than it did with the other 49 countries on the continent with which it

Of these other countries, Zimbabwe is by far the largest trading partner, accounting for

M-Net, the South African pay television channel, has announced that it is entering into a partnership agreement with Kenya Television Network (KTN) in the first important investment deal between the two countries since President F.W. de Klerk's groundbreaking visit to Kenya in June, Philip

An M-Net apokesman said they were intending to take a 50 per cent stake in ETN, in partnership with a Kenyan businessman, for an undisclosed sum. ETN is at present an independent television service, but it will be changing format next year to offer a mix of open and pay television.

The investment is a clear sign of South

31 per cent of South Africa's trade with the rest of the contilast year, while exports to the nent. Zimbabwe remains argusame countries totalled ably South Africa's most vocif-R4.07bn.

Another feature of the data erous critic on the continent. The figures, released is that it confirms what has recently by the Department of Foreign Affairs, show a bal-ance of trade overwhelmingly in South Africa's favour. Last become common knowledge, namely that members - such as Zambia, Zimbabwe and Mozambique – of the South African Development Co-ordiyear saw imports worth

Africa's improving relations with its continental neighbours. The spokesman com-mented: "Without the improvement in rela-tions I don't think it would have been possible to have done this venture." Last year bilateral trade between South Africa and Kenya was only R21m. Mr Pik Hoffis, foreign minister, predicted a 10-fold

M-Net, which is controlled by a consortium of South Africa's major publishing houses, has enjoyed phenomenal success since it began broadcasting in late 1986. It now has over 630,000 subscribers in South Africa and Lesotho, making it the third largest sub-scription television service outside the US.

> ent as ever. After Zimbabwe, Zambia is South Africa's largest trading partner on the continent, fol-lowed by Mozambique, Zaire and Malawi, all SADCC coun-

nation Conference (SADCC),

formed in part to lessen reli-ance on South Africa, are as

more to South Africa than vice versa. The five biggest exporters to South Africa were Zimbabwe, Malawi, Ivory Coast, Mozambique and Zaire. The five biggest importers were Zimbabwe, Zambia, Zaire,

US sets de

talks with

Mozambique and Malawi. South Africa's total foreign trade in 1990 was R60,5bn, so the R4.7bn with Africa was a modest share. However, this excludes trade with the BLS and TBVC states, reliably understood to have been greater than R6bn last year.

Although securing payment is a considerable problem in trade on the continent, South African traders must neverthe less be confident that with political barriers falling away, they are ideally situated to take a greater share of the

South African exports to

Exports better than expected despite stagnant world trade

Thailand shrugs off world recession ' with 7.9% growth

growth this year has helped the That economy expand by 7.9 per cent in spite of recession in the leading economies and almost stagmant world trade, the Bank of Thailand said yesterday. Bank officials, amouncing the government's latest figures

at an annual press conference, expressed satisfaction with the way Thailand's export-oriented economy has withstood difficult external conditions.

They said they expected the country's growth rate to continue at about 8 per cent next year because of predicted recoveries in the world economy and global trade, expenses prices for rice and stronger prices for rice and other Thai agricultural exports, and gradual improvements in the country's competitiveness.
Important on going policies

designed to cut costs in Thailand include liberalisation in foreign exchange dealings, other activities in the financial sector and tax reform. The government is planning to follow recent cuts on import duties on machinery, vehicles and computers with further reductions on raw materials corporate income tax. Value added tax is replacing business

tax on January 1.
Inflation and the trade deficit in goods and services, the two issues causing the year, appear to be easing off. Some uncertainty about the global environment and the implications of the Thai coup in February has slowed down

Tackling inflation has been

successful achievement this year," said Mr Vijit Sunint, Bank of Thailand governer. Estimates for the whole year, based on figures for the first 11 months, suggest the consumer price index, previously expected to rise 7.5 per cant this year, has declined from last year's 6 per cent to 5.7 per

cent.
The current account deficit, it estimated at Baht207bn (\$8.2bn) amounts to 8.7 per cent of gross domestic product, a slight improvement over the 8.9 per cent registered last year. It has been achieved in the face of a decline in earnings from tourism and Thai workers in the Middle Bast. An estimated 21.2 per cent rise in the value of alowdown in import growth to the government's traditional caution in avoiding budget deficits and reining in bank credit expansion.

Economists agree that the deficit is still manageable because Thailand's foreign exchange reserves are enough

Some are concerned that because the country is not saving enough, the current account deficit will continue at its present comparatively high level and could cause problems in the next four or five years Yesterday, central bank officials expressed optimism that the deficit would continue to decline as a proportion of GDP and that more savings could be mobilised through various tax and money market reforms that are scheduled to be introduced in the coming

Welcome for repeal of Israel moves on exchange rates **UN stance on Zionism**

By Hugh Carnegy in Jerusalem

ISRAEL yesterday warmly welcomed repeal by the United Nations General Assembly of a 1975 resolution equating Zion-ism with racism. But US hopes that it would help Middle East peace talks flopped as both sides continued to trade accu-sations over the increase. sations over the issue.

Mr Yitzhak Shamir, the President George Bush to thank him for initiating the removal of what he called a

"historic distortion".

President Chaim Herzog,
Israel's UN ambassador at the
time the resolution was passed,
said the landslide vote wiped clean a "shameful stain" on the UN. But officials were angry that a number of Arab which voted to retain the reso-lation, including Syria, Jordan and Lebanon, with which it

Victims of the 1984 Union Carbide gas leak in Bhopal in which 4,000 people died, campaign near Parliament House in New Delhi yesterday demanding that the government of Prime Minister P.V. Narasimha Rao provide better financial and living conditions. As deaths caused by the leak have continued to mount, frequent changes of government in India have politicised the issue, further complicating court actions and compensation claims. Six years ago, the government drew up a scheme for cash disbursements to various categories of Bhopal victims and their families. But continuous litigation left them bereft of any relief except for nominal interim compensation.

has opened peace talks.
They said these countries remained unwilling to acknowledge Israel's right to exist. Mr David Levy, foreign minister, said the vote would not affect Israel's refusal to not affect Israel's refusal to allow the UN a role in peace talks. Syria and the Palestinians, who are also negotiating with Israel, both said the repeal of the resolution was irrelevant. "Israeli repression of the Palestinian people and their denial of their legitimate national rights, foremost that of self-determination, is racist in essence," said Mr Faisal

Husseini, the prominent Pales-

By Hugh Carnegy in Jerusalem ISRAEL yesterday revised its

system of exchange rate man-agement, signalling the amount it will allow the shekel to float downwards over a year in a bid to eliminate demaging bouts of devaluation speculation and improve conditions for the foreign trade sector. The measures followed a sharp cut in interest rates implemented at the beginning

The actions represent a concerted effort by the Bank of Israel and the Finance Ministry to combat disappointing growth rates – especially negative export growth this year – and fast-rising unemployment facilies. ment fuelled by mass Soviet Jewish immigration.

The new currency system is intended to minimise exchange rate uncertainty over the next

periodic bursts of devaluation speculation that have plagued the economy over the past two years, disrupting currency and

foreign trade flows.

Instead of irregular shifts in Instead of irregular shifts in the shekel's base, or median rate, the Bank of Israel said it would allow the base rate to move down by up to 12 per cent over the next year, roughly the difference between inflation in Israel and its main trading perfects.

trading partners.

The rate of the shift would be guided by market pressures on a day-to-day basis, although the Bank of Israel began by adjusting the median rate downwards by three per cent

There was little immediate change in the shekel rate because the currency is allowed to fluctuate up by 5 and per cent above or below

the median rate and was already within the newly-set band. The shekel traded at about 231 to the US dollar. Other measures taken included reductions in

exchange rate subsidies for exporters and plans to elimite travel tax, commission on foreign currency purchas and surcharges on imported services by the end of 1992. This week's actions represent the first significant impact of the policies of Mr Jacob Frenkel, the Bank of Israel

Governor who moved from a senior post at the International Monetary Fund in August. He roundly defeated devaluation speculators by hiking interest rates over the autumn and refusing to budge the shekel, which has helped to squeeze inflation at the same

Cracks begin to form in China's iron rice bowl

Fewer children and less state welfare mean big problems for care of the elderly, writes Yvonne Preston cut back on their retired workers'

HINA'S population is ageing fast. Old people make up 8.6 per cent of its 1.1bn people but by 2025 this will more than double to 19.6 per cent or 280m. What this means to a country with

only rudimentary facilities for the old and a primitive pension system which ignores the 80 per cent of people liv-ing in the countryside is beginning to dawn on the Chinese government. Traditionally the burden of care for

the elderly has fallen on their families. A recent survey showed 63 per cent of urban elderly living with either children or grandchildren. In rural areas the end of the com-

munes and collectivised farming has left the elderly with no alternative but to live with the extended family or, if they have no one, in bleak state

Growing life expectancy and strict birth control policies are quickly changing China's demographic pro-file. In a pattern more familiar to the developed west than developing Asian countries, fewer and fewer productive workers are expected to provide for more and more old people. The urgent need is to develop con-

tributory pension schemes - "social-ist non-commercial pension insurance schemes" - Cui Naifu, the minister of civil affairs, recently called them. Urban workers accustomed to rely on their employers until they die may soon be expected to contribute a substantial slice of a low wage to retirement funds. Pilot schemes are already under way. Contributory rural pension insurance schemes are also urgently needed. The magnitude of the rural problem is clear enough with 73m aged over 60, according to last year's census. Usual retirement ages are 60 for men and 55 for women. The notion that the state will provide is becoming as out of date in socialist China as it was in Mrs Thatcher's Britain, but it may not

prove easy to persuade the urban workers of the benefits of their brave Until now they have paid nominal contributions to draw lifetime pen-

sions from their state employers. Known as the system of the "iron rice bowl", it is sustainable for state enterprises making money, but untenable for the loss makers and the heavily indebted which are being forced to

The cost of urban workers' pensions, if nothing changes, will

approach 90 per cent of state enter-prises' wage bill by the 2020s. The old style welfare system was never a universal social welfare systam as non-socialist countries under-stand it. Beginning in 1948 it has been based on payment in kind. Instead of

money workers had welfare, housing, medical provision and old age pen-sions. State enterprises are now called on to concentrate on making profits.

Creating a contributory rural pension scheme is more difficult because a certain income level is necessary before any contributions are possible. At around 800 yuan (\$200) it excludes many rural Chinese.

So far headway has been made only in the economically developed areas, where many peasant farmers have-grown rich in the last ten years. Even here, as the summer flood toll made clear, people are reluctant to buy insurance cover. They prefer the old-insurance of many children to care

for them in old age.

Various pilot schemes are under way, including regional foundations covering employees in the state and private sector, private schemes requiring part amployee-part requiring part employee-part employer contributions, and the encouragement of individual investment in the People's Insurance Com-

pany for old age cover.

The privatisation of welfare promises a bonanza for the PIC, which so

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however, on how to consolidate the autonomy of banks against interference from politicians or redesign of the social security system, notably in superannuacivil servants. The majority on the committee favoured the Ms Richardson said the budcontinuing appointment of offi-cials to represent the govern-ment on the board of banks. A get deficit for 1991-92 would be NZ\$1bn more than forecast at NZ\$2.7bn, or 3.82 per cent of dissenting note by two mem-bers argues that full autonomy The 1992-93 deficit was projected at NZ\$2.3bm, or 3 per cent of GDP. For 1993-94, when the will only be guaranteed by the government not appointing officials to the boards of banks government had previously said the budget would in sur-plus, it now forecasts a deficit of NZ\$2.25bn or 2.3 per cent of and by the abolition of the banking division in the Minis-try of Finance. Though the government has vet to pronounce on the report. The depth of the recession was illustrated yesterday by It is expected to accept the bulk of its recommendations and the need for urgent action. Reserve Bank forecasts show-ing that the economic climate Warning of balance sheets burdened by bad debt, the report says: The deterioration in the financial health of the It said it was surprised by the sharp fall in economic activity during the year, and system has reached a point where unless remedial meawas revising downwards its estimates from the 1.5 per cent sures are taken soon, it could further erode the real value of growth predicted in August. and return on the savings entrusted to them and even However, it said the recession have an adverse impact on depositor and investor confiwas now at its worst. The bank forecast that ecocomic growth would grow by The committee sees the heart of the banks' problems as .8 per cent in the 1992-93 financial year due to strong lying in the government's pre-emption of bank resources and in its channelling of credit to

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With Africa US sets deadline US official warns on financial services threat to Gatt Round The Treasure official tion on trade in services. Were Hills said parts of the text the "hurdles". The US, a top exporter of financial services, has been serviced by these could be finantial services, has been serviced by the the star committee of the first barrier bases and committee of the barrier bases and the barrier barrier bases and the barrier barri

attempt to settle the dispute.

In Beijing, China said the threat of punitive tariffs on Chinese goods was "discrimination" and warned Washington such measures would not compel it to take action to protect US patents and copyrights. Such foreign pressure did not Such foreign pressure did not work with China, and trade

disputes should be solved through dialogue, China's offi-cial Outlook magazine said. The official New China News Agency quoted the magazine as saying China still hoped to continue talks with the US.

But failure to achieve settle-

ment before the deadline will mean US retalisation against \$750m (2416m) worth of Chi-nese trade. A preliminary "hit list" of possible sanctions includes clothing, textiles, beer, ores, pharmaceuticals, footwear, jewellery, hardware, electronic instruments and

The Bush Administration's stance towards China has been hardened at the insistence of Congress. It could grow stiffer still as the Democratic presi-dential candidates have joined in criticism of the President's cordial relations with Chinese officials

Mrs Hills began an investigation into China's "deficient protection of US intellectual property" on May 26, 1991, under a statute called Special 301. The law requires her to list offenders and retaliate if no agreement is reached in six months. She is allowed to extend the negotiations by three months if enough prog-

ress has been made.
Although Chinese trade offi-

External Relations Commissioner Frans Andriessen, who visited China earlier this year, has said the human rights position has improved, but still gives cause for concern.

cials have made several promises to conform to US demands, Mrs Hills said they have not been sufficiently specific. For example, Beijing agreed to join the Berne Convention on copy-right and the Geneva Phonogram Agreement but would not commit itself to a signing date. The six months of negotiations ended on November 26. Mrs Hills extended the talks to draft a list of possible sanc-tions. After public hearings on January 6 and 7, she will select

Mrs Hills said the Chinese have been informed of US willingness to continue negotiations until we determine which Chinese products will be subject to increased tariffs. Chinese negotiators are aware that prohibitive tariffs will be put in place shortly after January 16 if no agreement is

The US complaint centres specifically on China's copy-right law and the "particularly poor protection provided to computer programmes and sound recordings"; failure to provide copyright protection for US works not first published in China; "deficient" patent laws and protection of trade secrets, and lax enforce-ment of trademark rights.

British Gas in \$630m deal to develop Tunisian field

BRFTISH GAS yesterday signed an agreement with Tunisia to develop the 30bn cu metre Miskar gas field, 100 kms off the south-eastern port of Sfax, at a cost of \$630m (£350m).

Production is expected to start in three years and rise to an annual figure of 1.6bn cu metres of commercial gas. The development of Miskar will multiply by five Tunisia's present production of gas. It will enable the authorities

to meet future needs and allow a gradual switch from oil to gas, in a country where envi-ronmental considerations are important, not least because tourism remains its main foreign income earner.

The development of the field

coincides with work to double capacity of the Transmed pipeline carrying gas from Algeria to Italy, at a cost of \$700m.

The British Gas deal also coincides with the launch of Tunisia's Eighth Economic
Development Plan and comes as the authorities seek to speed reforms aimed at liberalising the economy. The tax system

imports of goods competing directly with equivalent be lifted, as are price controls

be lifted, as are price controls on producers of many items.

These reforms are being supported by a \$250m economic support loan from the World Bank and Ecu40m (£29m) from a newly established BC Structural Adjustment Support Front to bely economic reforms. Fund to help economic reforms in Mediterranean countries.

A number of Tunisian employers have protested at the moves but the government has been emboldened by the better performance of the econ-

After a poor start, receipts from tourism placked up and ended the year at \$725m, only one-fifth down on last year. Excellent rainfall and an 8.5 per cent growth in the exports of manufactured goods raised reforms aimed at liberalising the economy. The tax system has been simplified and the TD100m (£50.8m).

NEARLY 100 US businessmen, 30 congressional aides, a Con-gressional delegation and most US trade officials are converging on Geneva in this final week of the Uruguay Round, hoping delicately-wrought compromises can heat the many obstacles to its completion, Nancy Dunne and George

But a US Treasury official warned the entire round could be hit by an impending stalemate over trade in financial services. Mr Olin Wethington, assistant secretary for international affairs at the Treasury, said he was "quite pessimis-tie" about achieving an accord on the financial services sector, part of a broader negotia-

Mrs Carla Hills, US trade representative, said she might stop in Geneva on her way to the US-EC ministerial meeting on Saturday. She continued "to plan on success, not to speculate on failure."

On Friday, Mr Arthur Dumkel, Gatt director-general, is to present draft final accords in

Mrs Hills said parts of the text might be changed but not so as to mean reopening the talks. This week is likely to be the Round's last chance. "It's very difficult to continue this process indefinitely," Mrs Hills said. It would not be lack of time which blocked agreement, but nations' inability to it does not contain major ele-

One of those could be financial services. Mr Wethington said it was hard to conceive that Mr Dunkel's final text would "have the support of everyone because the differences are too vast. It will certainly not have our support if

The US, a top exporter of financial services, has been fighting for access to financial markets, but has met resistance from countries such as Singapore, Thailand and india. The US is a "problem" country itself, in that foreign banks cannot do many kinds of busi-

Wanted: anti-dumping deal by the end of the week

Gatt's Dunkel must find formula on which Uruguay Round's fate may depend, writes William Dullforce

TRUGUAY Round nego tiations on anti-dump-ing have ground to a halt, leaving Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), and his aides with the task of formulating by Friday compromises on matters that have defied governments for the past five years.

The issue is particularly delicate because of its importance for Japan and also because it ranges a broad alliance of industrialised and developing countries against the US and

the European Community. The interests of Japan, the world's third-biggest economy, have hitherto been overshadowed by the torrid dispute over farm subsidies between the EC and the US which still jeopardses the completion of the trade

talks. Resolution of the BC-US dispute will open the way for an agreement on agriculture that will be extremely painful for Tokyo because it will certainly stipulate that the Japanese rice market be opened to imports. The Japanese government needs to be able to put some solid benefits from the Round into the domestic political scale, in order to temper the expected backlash over rice. One of Japan's principal negotiating objectives has been to secure clearer rules for

GATT

international trade that would be less open to abuse. Gatt's anti-dumping code, under which importing countries pengoods on their markets, is one

facet prone to misuse. The code allows governments to slap extra duties on the products of foreign compa-nies sold on their markets at prices lower than those at which they are sold at home or at prices which are lower than the cost of producing the

Dumping, it is agreed, represents unfair competition but the 1980s saw a surge in the use of anti-dumping legisla-tion, notably by the EC and the US, frequently on questionable grounds and with the fairly obvious intention of protecting domestic producers.

In Europe action against imports of consumer electronics, such as typewriters and video recorders, has been in the limelight but, worldwide, governments have been aiming at an ever wider range of tar-gets, including European and South American steel. Asian sweaters, Venezuelan and Mexican cement and Norwegian salmon. At the end of June 209 anti-dumping measures were in effect in the US, 143 in the EC and 71 in Canada, according to notifications to the Gatt secretarist.

Moreover, governments' appetite for anti-dumping is growing fast. Developing coun-tries are passing their own laws. Last month even Japan announced that it was launching its first ever anti-dumping probe into imports of ferro-silico-manganese from China, Nor-way and South Africa. The situation has became

grotesque in the context of a Gatt system intended to promote international trade. It was generally accepted five years ago that the anti-dump-ing code needed to be tight-ened up and that controversial national laws against dumping should be changed to comply with a credible international set of rules.

NEW ANTI-DUMPING CASES INITIATED BY MAJOR GATT TRADING PARTNERS Australia US Canada EC Mexico Total' 72 21 "Total includes claims from other countries "First half only Source. GATTSTC

Washington and Brussels have been reached on techsaid they would agree to revi-sion of the code in return for inclusion of provisions that would allow them to take action against exporters who circumvent legitimate antidumping charges by assembling products from imported components in the importing country or by assembling in a third country.

Japan and, with even greater veherance.

vehemence, other Asian exporters such as Hong Kong and Singapore have said they could agree to reasonable rules against circumvention once they see firm discipline applied to anti-dumping action. Neither side feels that its conditions have been met. Tentative understandings

niques that would force gov-ernments to be more stringent in the criteria they apply to determine whether an exporter is dumping and whether domestic producers are suffer-ing injury. Procedures could be simplified and quickened. diminishing harassment of traders. But a draft working paper from Mr Dunkel at the end of November still listed a dozen open issues.

Some issues appear to be completely blocked. Japan insists that it is common and legitimate rusiness practice for companies investing in new products to sell them at prices below costs in an initial marketing phase. The US has refused a compromise under

which, if an exporter persisted with low prices into a second or third year, dumping might be considered to have occurred and anti-dumping duties could be charged retro-actively.

The big importers want rules against three forms of circum-vention: the assembly of imported plants in the importing country, assembly in a third country and "country hopping" in which a globally operating company accused of dumping starts to supply an import market from a factory in a third country.

According to the Japanese, the Americans have hardened their stance in the last few weeks by claiming that antidumping duties on assembled products can be automatically applied to imports of compo pents from third countries that go into the product. Charges levelled against, say, a Toshiba computer would also be slapped on components of the computer supplied by firms in Kores or Malaysia without separate investigations being con-

ducted to prove dumping. Feelings are running high on anti-dumping and the Japanese have strong support. Thirty countries last month singled out revision of anti-dumping rules as one of the areas in which the fate of the Uruguay Round would be decided.

Mexicans resist US on oil

By Damian Fraser n Mexico City

THE Mexican government has again denied it will open up oil to foreign investment as part of the proposed North American Free Trade Agree-ment, in the face of what appears to be growing US pres-sure to do just that.

Mr Jaime Serra Puche, Mexico's trude minister, said that Mexico would not violate its constitution concerning oil and that the modifications to laws govern-ing its extraction, refining and ercialisation.

between Presidents George Bush and Carlos Salinas, US officials were quoted as saying that, if Mexico wanted a treaty soon, concessions would have to be made by the Mexican government, including in the oil sector.

Mrs Carla Hills, US trade representative, said the Bush administration would seek to open up the Mexican oil sector as much as possible in the free trade negotiations. The US trade representative said that while the administration while the administration respected the Mexican consti-tution, this did not preclude liberalisation of oil in those areas not covered by the con-

Article 27 of Mexico's constitution states that Mexico's hydrocarbon resources belong to the nation.

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AMERICAN NEWS

Kerrey bid runs into child labour charges

By George Graham in Washington

ONE day after he was acclaimed as the winner in a nationally televised debate between the six main Democratic presidential candidates, Senator Bob Kerrey has run into embarrassment over charges that the restaurant chain he partly owns repeat-edly broke child labour laws.

Grandmother's Inc, the restaurant chain that the Nebraska senator founded with his brother-in-law and of which he owns 35 per cent, has been cited by the US Labor Depart-ment and fined \$64,000 (£35,000) for 116 violations of child labour protection laws.

The alleged violations mostly involve employing children under 16 years old after legal hours: 7pm during the school year or 9pm during holi-

Senator Kerrey's success with the Grandmother's Skillet restaurants made him a miltics by winning the governor-ship of Nebraska in 1982. On the basis of his experience he has often championed small business against excessive reg-While Mr Kerrey has no active involvement in the cur-

lionaire before he entered poli-

rent management of the res taurants, the news of the fine could take some of the gloss off his pleasure at being generally declared the winner of Sun-day's raucous debate between the principal Democratic candidates for the presidency.

The debate had given a lift to the Kerrey campaign, which began with high expectations but had falled to gain momen-

A misjudged joke about les-bians, too, had frurt him, alien-ating first homosexuals, who

US housing starts in line with weaker trend

By Michael Prowse in Washington

A DECLINE in housing starts yesterday provided fresh evi-dence of US economic weak-

The Commerce Department said starts fell 2.1 per cent last month to a seasonally adjusted annual rate of 1.06m

The decline follows other signs of renewed economic contraction, including a 0.4 per cent drop in industrial produc-tion and a sharp fall in employ-ment last month.

The housing market has been sending contradictory signals in recent months. In October starts jumped 7.1 per cent, raising hopes that the market was recovering, having moved sideways for several months. This view was reinforced by small increases in home

Last month's figures, how-ever, suggest the housing mar-ket has little forward momen-

tum, despite successive cuts in interest rates. Although well above the trough hit in January, starts have risen little since July and were 6 per cent lower last month than in

Starts fell 16 per cent in the first 11 months of the year, compared with the same period

Building permits - a guide to future construction trends also relinquished earlies gains, falling 3 per cent last month, after rising 4.7 per cent The weakness in starts last

month was concentrated in apartment buildings for two or more families. Starts for detached houses rose margin-

Starts were weak in most regions but the sharpest falls occurred in the mid-west and Agreement gives semi-autonomous region to Inuit people

Canada carves out a new territory

By Robert Gibbens in Montreal

CANADA'S government and leaders of the inuit people have agreed on the country's largest-ever aboriginal land claim settlement in creating the semi-autonomous Nunavut Territory. The territory will comprise

most of northern Canada and the Arctic islands, including known oil and gas and mineral resource areas. The Inuit will be given substantial powers over economic development in a 2m sq km area equal to a fifth of Canada's land mass. The area has been carved

ing area will be renamed. The Inuit will have direct

ownership of 350,000 sq km and control the mineral rights on 36,000 sq km. They will be paid more than \$500m (£277.7m) by Ottawa over 14 years in exchange for giving up claims on most of the new territory, including the main offshore oil and gas exploration areas.

The inuit have mostly co-op-erated in Arctic resource development over the past 25 years. This time, they want jobs and

no state presence, save a mili-tary encampment to maintain order. The settlers in this

federal out of the existing Northwest economic opportunities guar-firmed oil and gas pools, ders of the Territories. The NWT's remain-anteed. Nunavut is now mainly

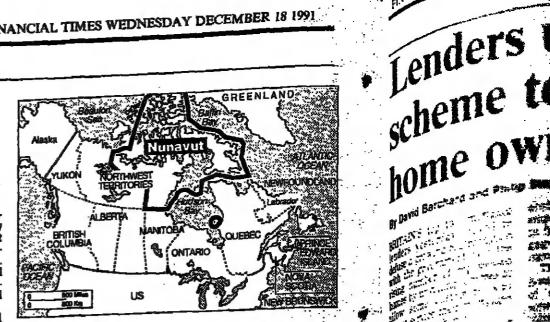
Nunavut will remain federal crown land, and the Innit will receive part of any future resource royalties. Three mines operate in Nunavut - one gold and two base metals.

The area excludes the Beaufort Sea above the Mackenzie Delta in the north-west, where most of the oil and gas exploration has taken place. However, it includes Baffin Island and Lancaster Sound,

Nunavut is now mainly populated by 18,000 Inuit. They will vote on the agreement next spring and Ottawa promises legislation next autumn. Nonavut will have an elected

assembly and territorial repre-sentative government modelled on the Northwest Territories. The western border will touch Great Bear Lake and territory disputed by the Dene Indians. This group, which succeeded in blocking the Mackenzie Valley pipeline from the north-west to Alberta nearly 20

Sendero turns Lima slum into Maoist zone



years ago, is likely to object to the creation of Nunavut. Ovide Mercredi, grand chief of the Assembly of First Nations, representing 500,000

Indians, says the Inuit are giving too much away, including cultural independence and their inherent right to full self-government.

Trinidad ousts Robinson

By Canute James in Port of Spain

MR Patrick Manning, a 45year-old geologist, was aworn
in yesterday as prime minister
of Trinidad and Tobago, following an emphatic victory by
his People's National Movement (PNM) party in general
elections on Monday.
The PNM, which had governed for 30 years until
defeated in 1985, took 21 of the
36 seats at stake and will be
opposed in parliament by the
United National Congress, led
by Mr Basdeo Panday, a former foreign minister, which
took 12. The National Alliance
for Reconstruction of Mr
Arthur Robinson, outgoing Arthur Robinson, outgoing prime minister, managed to retain only two seats - Mr Robinson's own and another

tion of Mr Robinson's han-dling of the oll-based economy. The NAR imposed an austerity programme four years ago to deal with contraction in the economy caused by a soft oil market. Currency devaluations, a reduction of govern-ment expenditure, wage cuts in the state sector and removal of a cost of living allowance for government workers seemed to have eroded support. Mr Manning, energy min-ister in the former PNM administration, is unlikely to make big economic policy Poverty and despair provide urban breeding ground for guerrillas, writes Sally Bowen

Raucana, six miles to the east of metropolitan Lima, they deliver their own babies and administer their own, often, rough justice. There is thrived where there is hunger and despair. With the tough economic adjustment pro-gramme applied by the govern-ment of President Alberto Fujimori, half of Peru's 22m people now live in "extreme poverty",

microcosm of urban living for Peru's poor have dug their own wells, installed the posts and cables for electricity and built communal soup kitchens to But there is one sinister difference about Raucana. It is founded and organised by mili-tants of the fundamentalist Maoist guerrilla group, Send-ero Luminoso (Shining Path). State intelligence headquarters contains a scale model of the community, pinpointing loca-tions of leaders' houses.

For 11 years, Sendero has based itself in Peru's rugged and inhospitable mountains.

Fanning out from Ayacucho, where former philosophy pro-fessor Mr Abimael Guzman founded the movement, it has forged close contacts of mutual interest with drugs traffickers in the coca-growing Huallaga and Apurimac valleys and pen-trated almost every area of the Ange and impde the Andes and jungle.

Forays into coastal cities were traditionally short and brutal. As the state's intelligence machine improved in the late '80s, it became dangerous for terrorists to stay in the capital more than a few days. Selective assessinations and

Fujimori: pursuing tough

according to the United

The principal bulwark against the Sendero expansion in Lima is popular organisation. In every shanty-town, women club together to buy in bulk and cook expensive com-munal meals; parents' clubs distribute food donated by

international organisations; and long-running government programmes such as the daily "Glass of Milk" for schoolshill "Glass of Milk" for schoolchild-ren help blunt the edge of hun-

Sendero has increasingly tar-geted these popular organisa-tions. Community leaders have been assassinated and food warehouses dynamited. Local leaders and parish priests regu-larly receive death threats.
"Sendero has always had a great interest in Lima," says "Mr Gustavo Gorriti, leading author on Sendero. "That

author on Sendero. "That intensified around 1989 with greater infiltration of unions. greater infiltration of unions.
Now they are attempting to
take over popular organisations – they co-opt, control,
coerce and threaten."
But the Raucana strategy is
"both new and brilliantly conceived", according to one
counter-insurgency arrest Mycounter-insurgency expert. Mr Gorriti calls it "an interesting

laboratory where Sendero can try out their capacity for con-trolling and co-ordinating larger groups of people".

None of Haucana's 1,000-odd settlers openly admits to being a Sendero sympathiser. Most discleim any interest in a political system widely perceived by Peruvians as discredited.

Mr Felix Condor, Rancana's 27-year-old secretary-general, is more emphatic. "We don't permit political parties here," he says. "The only party is the people and the only way ahead is through iron discipline". Both the rhetoric and organi-

sation betray Raucana's affilia-tion, however. Discipline fol-lows classic Sendero lines as practised for years in Andean communities in Peru's "red zoners". The "thousand ears and exes" of the party are over and eyes" of the party are ever watchful. Miscreants are denounced, tried in "popular courts" and publicly punished.

The UN estimates that half Peru's 22m people live in extreme poverty

In Raucana, this means demo-cratically administered lashes, with each of the seven sectors participating. The offender is then paraded round the settlement with a placard detailing Mr Condor claims that such

methods have in effect elimi-nated crime from Raucana: "We've got rid of prostitutes, homosexuals, drug-dealers and petty thieves," he claims. "Through our self-criticism sessions we attempt to correct anything we find that is bad."

In little more than two years, the actilization has adversed.

the settlement has advanced quickly. The seven sectors each have a neatly laid-out square with a 60 ft well, a communal restaurant and public tollets. There is no rubbish, no craffiti Unemployed men graffiti. Unemployed men make mud bricks from a small

contribute to feeding the women and children who stay at home "to guard our land". Defence of the land - a for-mer sind farm legally owned by a wealthy Italian immigrant - has powerfully cemented Raucana's population. Two police attempts to dislodge squatters resulted in injuries, one "glorious martyr" and victory for Raucana. and victory for Raucana.
"We've mostly done military
service," explained Mr Condor,
"so we used army methods".
Settlers made molotov cocktails and dug trenches to
impede the approach of
armoured cars. Watchtowers
give the community a belesevered air.

Now the common enemy is the army of occupation. Camped in the former stables, some 250 soldiers theoretically keep the peace. Government in spired "civic action" schemes. basically periodic handouts of food donations by the army, are scorned by Rancana's miltants - though most settlers will take what they can get "And it's certainly a better strategy than house to-house searches and arbitrary deten-tions," says one human rights

Raucana underlines the craving of poor Peruvians for the order, organisations and basic services that for decades the state has dismally falled to pro-vide. The challenge for the Peruvian government is to satisfy that craving before the



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6 per cent. Bear Notes due 1993 (the "Notes") NOTICE IS HEREBY GIVEN that pursuant to Condition 6(c) of the NOTICE IS HEREBY GIVEN that pursuant to Condition 6(c) of the terms and conditions of the above-mentioned Notes, that Den norsice Bank A.S., formerly known as Bergen Bank A.S., (the "Bank") has elected to redeem on 17th January, 1992 (the "Fledemption Date") all of its outstanding YEN 5,000,000,000 6 per cent. Bear Notes Due 1993 at Yen 100,080,000 per Yen 100,000,000 Note. The Notes should be presented and surrendered to the paying agents (as shown on the reverse of the Notes) on the Redemption Tante.

17 December, 1991 By: Citibank, N.A. (CSSI Dept) London Principal Paying Agent

CITIBANC



GOVERNMENT OF INDIA FOURTH ROUND OF BIDDING EXPLORATION FOR OIL AND NATURAL GAS

EXTENSION OF BID DEADI

The Government of India armounces for the information of all companies that the last date for submission of bids for the 4th Round of Exploration for Oil and Gas in India is extended from 29th February 1992, as previously announced, to Wednesday 15th April 1992.

Bids should be submitted, in sealed envelopes superscribed «CONFIDENTIAL» «4th ROUND of BIDS» not later than 3.00 pm. (Indian Standard Time) on 15th April 1992, addressed to:

Mr. Naresh Dayal Joint Secretary (Exploration) Ministry of Petroleum & Natural Cas Covernment of India Shastri Bhavan, 2nd Floor Dr. Rajendra Prasad Marg. New Delhi - 110001 - India

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By Lisa Wood, LAT Lat 51.5" PROPERTY TO A STATE OF THE PARTY OF THE PART STEEL The best of the state of The Mariane MISS INC. to and June ! BEEL BEEL WHEN ST. P i k angitant Fillian THE STATE OF THE S grobably be netter and proceeds. EDICO 5375 C. TOT the other of the sale.

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By Ivo Dawney, Political Comeson BETTAETS OF THE TOTAL LABOUR ST party sees made a symmetry sees seeming to see seeming the seeming London state general election and is now for none page and neck with the Transaction neck and peck with the by compages told a conference time candidates

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UK NEWS

By Richard Tomkins, Transport Correspondent

Lenders unveil scheme to help home owners

By David Barchard and Philip Stephens

BRITAIN'S top two mortgage lenders yesterday moved to defuse a growing confrontation with the government over the rising number of repossessed homes by unveiling schemes to allow some customers who cannot service their mortgages to stay in their homes.

NESDAY DECEMBER 18 1991

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independent right to The moves came as the big lenders braced themselves for today's second meeting with the government in less than a week to discuss the repossessions crisis which ministers regard as a threat to Tory pros-

regard as a threat to Tory prospects in an election.

Halifax, the largest UK mortgage lender with 17 per cent of the market last year, said it had pledged £200m in low cost funds to help mortgage rescue schemes by housing associations and local authorities.

Halifax will make its funds Halifax will make its funds available at under eight per cent interest to housing associ-ations who will buy up homes and rent them to their former

owners.
In a separate move, Abbey National, the second largest lender, said it will spend 260m on buying up properties from customers facing payment

problems but who are still employed and so cannot bene-fit from payment of their mort-gage interest by the Depart-ment of Social Security (DSS).

They will then stay in their

homes by paying rent instead of mortgage interest. Both schemes are targetted at low income borrowers who are still in work and so are not eligible for the proposed direct payment by the DSS.

In the House of Commons the housing crisis provoked clashes between Mr John Mater and envertible leaders.

Major and opposition leaders in spite of the prime minister's insistence that the government was helping to stem the tide of

was heighing to stem the tide of repossessions.

Facing charges from Mr Nell Kinnock, the Labour leader, that his policies were responsible for the crisis, Mr Major appeared to acknowledge that some lenders may reject the government's call for a moratorium on repossessions

government's call for a morato-rium on repossessions.

In a reference to today's talks with the lenders the prime minister said he expec-ted "sensible" lenders to play their part in assisting to those

FT staff authorise strike action on RSI

By Lisa Wood, Labour Staff

JOURNALISTS at the Financial Times yesterday voted to authorise strike action over plans by management to consider nine members of the staff for ill—health retirement

The journalists, all members of the National Union of Journalists (NUJ), are protesting at the announcement by manage-ment last week that the nine, long-term sufferers of repetitive strain injury (RSI), would probably be retired on health grounds. The RSI and the union have complained that the offer of disability pensions, ranging up to two thirds of current salary, is compulsory. Industrial action was held off

last night after a mass meeting of about 200 journalists agreed to their representatives hold-ing further talks with the management. Journalists had voted by 173 to 67 to take strike action and 217 to 22 to take industrial action, excluding strike action.
Mr Alan Pike, father of the

NUJ chapel (office branch) told the meeting: "We do not believe that there is anywhere near enough on offer at the moment from management to

resolve this issue."

The nine individuals wanted a choice of options said Mr Pike. These would include being allowed to stay on the newspaper longer to see if they recovered and an improved financial package for those who might elect to leave.

The Financial Times man-

The Financial Times management said that it did not want to be in conflict with its staff. It wanted to hold discusslone over the next four weeks with both the individuals and their representatives on the terms although it stressed that scope for improvement was bound to be limited.

UK deficit raises hopes on levels of

cast in last month's Autumn

nity expenditure. As a result, the figures had little impact

on markets.

The Central Statistical Office (CSO) reported that the November PSBR totalled £412m. The figure, which is not seasonally adjusted, fol-lowed a public sector debt repayment or surplus of £2bn in October and compared with

a £1.3bn PSBR in November last year. Britain therefore recorded a deticit of £9.2bn in the first

duty was some £500m higher than anticipated as traders had taken goods out of bond in anticipation of price increases.

to the community.

Analysts said last month's figures hinted at some improvement in parts of the public sector's finances. In particular, a year-on-year turnround in local authority finances from a £75m borrow ing requirement in November 1990 to a £454m surplus last month suggested that this part of the PSRR may be recovering from the "front and loading" of borrowing by local authori-

By Peter Norman.

BRITAIN'S public sector finances recorded a surpris-ingly low deficit of around £400m last month, raising hopes that the government might be able to hold its 1991-92 borrowing requirement at the £10.5bn level fore-

But yesterday's news that November's public sector borrowing requirement (PSBR) was sharply lower than the £2bn anticipated by financial markets largely reflected special factors, such as a higher than expected inflow of phacers taxes and lower out. tobacco taxes and lower outgoings for European Commu-

eight months of the current financial year compared with £4.3bn PSBR in the same period of 1990-91.

period of 1990-91.

The Treasury moved swiftly to dispel any belief that last month's smaller than expected deficit represented an underlying improvement in the nation's finances.

Officials explained that government income from tobaccomment income from tobaccomment income from tobaccomment income from tobaccomment.

ernment income from tobacco At the same time, net departmental outlays for the EC were some £500m lower than expected, reflecting a technical adjustment to the ebb and flow of contributions

ties earlier in the financial

borrowing

Economics Correspondent

ports yesterday threatened to turn into an embarrassing political debacle. Unsuccessful bidders for the port of Tees & Hartlepool in north east England reacted furiously to Monday night's announcement that the port would be sold to Teesside Hold-ings, a consortium led by Powell Duffryn, the distribution

PORT PRIVATISATION

and engineering group.

They demanded to know why the consortium had triumphed not only over a higher bidder but also over the management-employee buy-out team, the strongly favoured condidate.

Further confusion emerged as Tees & Hartlepool Port Authority, which conducted the sale, seemed unable to agree with the Department of Transport whether a final deci-sion on the sale had been

taken.
The port authority's legal advisers said ministers had still not made their decision but the transport department said it was subject only to for-mal parliamentary approval of an order providing for the gov-eroment to claw back a portion of any future property profits. Meanwhile Mr Stuart Bell Meanwhile Mr Stuart Bell, Labour MP for Middlesbrough, called for an emergency Com-mons debate on the sale; six Cleveland MPs demanded a meeting with Mr Malcolm Rif-kind, the transport secretary in an attempt to overturn it; Maritime Transport Services, the highest (but unsuccessful) bidder called for a meeting with Peat Marwick, the sale's with Pear Marwick, the sale's auditors; and Mr Patrick McLoughlin, the transport minister responsible for shipping, agreed to meet a delegation of protestors drawn from the port's middle management.

The row has been triggered

to approve the sale of Tees &



Sell-off threatens to backfire on government

Bridge over troubled water: the landmark Transport Bridge looms over the port whose sale prompted angry reactions ings, a three-way venture between Powell Duffryn, the private Humberside Holdings

group.

Powell Duffryn, which has its roots in the South Wales coal mines, sees the port venture as part of its effort to take capital out of ships and to develop land-based services. Its involvement in Teesside

Holdings prompted an 8p rise in the share price yesterday to

ute to its storage and shipping division, which accounts for about 15 per cent of group turnover. Teesside Holdings' bid of and 3i, the venture capital £180m was only the second highest for the port. The high-est bid, believed to be for £210m, came from Maritime Transport Services, operator of the Thamesport container ter-minal on the Isle of Grain, Kent. The two other bidders

Ocean Group and the manage-

Hartlepool to Teesside Hold- 285p. The venture will contrib- ment-employee buy-out team - or slightly disparate on other ings, a three-way venture ute to its storage and shipping are believed to have come in at merits. about £150m.

The government had indigiven to management-em-ployee buy-out teams when privatising the trust ports, and several other ports have launched privatisation plans on this basis.

The Department of Transport said yesterday that preference for a buy-out team would only prevail if bids were equal

The Tees & Hartlepool Port Authority said the Teeside Holdings bid was "the most consistent with the authority's privatisation objectives." But Mr Stuart Bell MP has alleged that Powell Duffryn associated companies in Immingham and Grimsby avoided the need to make redundancy payments during the abolition of the dock labour scheme by going

into liquidation.

Labour targets London as vital election battleground

neck and neck with the Tories, Mr Jack Cunningham, the par-ty's campaigns' co-ordinator, told a conference of prospec-

tive candidates yesterday. Warning that the coming election outcome in London was "vital" to the party's chances nationally, he said a new opinion poll showed the two parties were now level on 44 points each. The survey, conducted for

the Labour-dominated Associa-tion of London Authorities from a sample of 2,000 voters in November, compared favourably for the party with an Octo-ber poll giving the Tories 46 points against Labour's 40.

BRITAIN'S opposition Labour that their private polling party has made up a 15 percentage point poll deficit in London since the 1987 general election and is now running electrons. The showed Labour still trailing, with electors' still expressing distrust of the so-called "loony build on those developments with frontbench spokesmen." left" fringe that widely influenced public perceptions of the party in the 1980s.

The Conservative party claims it is ahead in the capi-tal, citing a Gallup poll last month which showed the Tories to be 4 per cent ahead in London. The war of words comes as the parties are now sharply stepping up their cam-paigning in London - a key pattleground in next year's

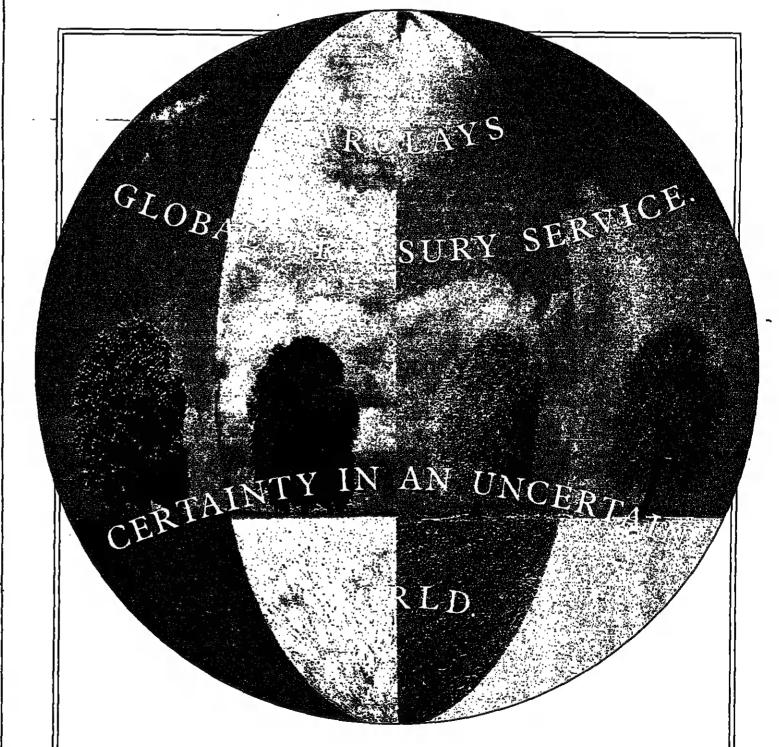
At Labour's Walworth road headquarters, meanwhile, it is privately accepted that additional initiatives will be needed to raise Labour's current representation of 24 of the 84 Greater London area constitu-It also contrasts strongly encies to the 50 thought neceswith Tory claims this week sary to be sure of an overall

targetting transport, environ-mental policies, public services

and housing as areas where voters are warming to Labour.
In a rallying address to the meeting, Mr Neil Kinnock, the party leader, also paid close attention to the recent controversy over evictions from homes by mortgage lenders. He attacked the government's efforts to "patch together" response with building societies today as a tragic shambles.

Next month, senior party officials are planning meetings aimed at fleshing out the detail of a plan to create an elected Greater London Authority to take strategic decisions for the capital. The proposals are due to be launched in February.

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WOVERNMENT OF INDIA FOURTH ROUND OF BIDDING EXPLORATION FOR OIL MIND MATURAL GAS

SION OF BID DEADLN

Military women win pregnancy test case

By Our Labour Staff THE GOVERNMENT agreed in the High Court yesterday to pay £25,000 compensation to two military nurses dismissed

after becoming pregnant.
Mr Tom King, defence secretary, agreed that the women were unlawfully sacked and, for the first time, conceded that service personnel have the right to take employment grievances to industrial tribu-nais like any civilian.

The Equal Opportunities Commission, which backed the women's case, said the govern-ment's concession meant "potentially hundreds, if not thousands," of pregnant women dismissed from the armed services could now bring similar compensation

A former sergeant with Princess Mary's RAF nursing service, receives £15,000, and a former corporal in Queen Alexander Royal Army Nursing Corps, £10,000.
The awards came at the end

of a sex discrimination claim after counsel for the defence secretary conceded both women were unlawfully dismissed for being pregnant under an employment policy, now abandoned, which was in breach of the 1975 Sex Dis-crimination Act and the BC Equal Treatment Directive. Mr Archie Hamilton, the

armed forces minister, announced in Parliament on Monday that new maternity

leave procedures were now being introduced for women. A Ministry of Defence spokesman said after the case: Applications for compensation from ex-servicewomen who were compulsorily dis-charged between August 1978 and August 1990 will be con-

sidered on their merits." In August 1990, the Government abandoned its old policy of dismissing pregnant women and brought in its interim measure of allowing limited unpaid maternity leave which was in force until yesterday, when paid leave was intro-

The spokesman said servicewomen would not be able to claim compensation for being denied paid maternity leave between August 1990 and yes-

UK split over EC funds for mining rejuvenation

A SPLIT by the cabinet over the government's handling of £109m in EC funds which is blocking the release of the money intended to help coalfield communities was revealed yesterday by Mr Gordon Brown, Labour's trade spokes-

He published a leaked draft letter from Mr Michael Heseltine, the environment secretary, which says the arrangements for dealing with the money are "no longer tena-

The letter also warns that the arrangements jeopardise regenerating former mining areas, but also future regional development cash totalling some £380m a year of European funds to be given to regions in England, Scotland and Wales. Mr Bruce Millan, the commissioner for regional policy, said last week that the total EC funds for the UK, excluding Northern Ireland in 1992. amounting perhaps to £700m-£800m "could all be in jeop-ardy" over the additionality

At present, the UK government includes the regional development fund money in setting public expenditure pro-grammes, but lacks a mecha-



to the local authorities directly involved. It therefore falls foul of the EC's rules which say the money must clearly be over and above what the domestic government would spend.
Mr Heseltine is to meet Mr
David Mellor, the Treasury chief secretary, today to dis-cuss EC receipts, with the

the Commission. The department of the environment said it was in close touch with the Commission on the matter, which was under review. It

which was under review. It hoped that a satisfactory outcome could be agreed.

Ministers have argued that Mr Millan is behaving unreasonably in delaying the money.

The draft, which Mr Brown said formed the basis of a memorardum the three t memorandum from the three cabinet ministers to Mr Nor-man Lamont, the chancellor of the exchequer, suggested that the most complete solution would be to remove these European funds from the public expenditure planning total. It says the regional develop-ment fund money should be politically beneficial to the

government, but comments: "Instead it has become a con-stant source of friction and recrimination both from the EC and from local authorities and MPs. We cannot afford such an "own goal" in areas which are politically important

Mr Brown demanded "an immediate climbdown" from the government and "an end to their spiteful campaign against Britain's mining communitie in every region can be guaran-teed long-delayed millions".

Government rejects Brussels criticism on building projects

By John Hunt, Environment Correspondent

THE GOVERNMENT yesterday rejected an accusation by the EC Commission that it had failed to carry out proper ments before going ahead with seven major construction pro-

Mr Michael Heseltine, environment secretary, sent a let-ter to Mr Carlo Ripa di Meana, EC environment commissioner, saying Britain intends to press shead with the projects which include the Channel tunnel rail link and the East Thames river

By doing so the UK risks being taken before the Euro-pean Court. Mr Ripa di Meana had written to the British and ernment asking that work be stopped on the seven schemes before irreparable environmen-

tal damage was done.
In an official reply yesterday
Mr Heseltine argued Britain
was not in breach of any EC planning system fully took into account an assessment of the impact any project might have

If he is not happy with this Mr Ripa di Meana could issue a oned opinion on the case which is the first step in taking the UK to the European Court. Several of the proposed schemes involve destruction of areas of special scientific inter-

est or natural beauty. The

southern approach to the east pass through 8000-year-old Oxless Wood. The objection to the Channel link was that there was no environme impact assessment on the King's Cross passanger termi-nal in north London. The others are: the M3 sec-tion near Winchester which

would run across Twyford Down; a BP site near Falkirk Scotland; an incinerator at South Warwick hospital; a road link between Hampton Wick, east London, and the M11 motorway, a soft drinks manufacturing plant - a joint ven-ture between Coca-Cola and Schweppes - at Northampton.



Steel industry fails to win

Mr John Major, the prime minister, has dashed hopes within the steel construction industry of special tax inceninitiately of special tax incer-tives for export work or for lifting the burden of value added tax (VAT). In a letter this week responding to a number of requests from the British Constructional Steelwork Association, Mr Major said be could not hold out any hope of new VAT relief for the industry, because of European Community obligations under the Sixth VAT Directive. The

Du Pont plans withdrawn

Du Pont, the US chemical engineering giant, has withdrawn plans to construct a toxic waste incinerator for the whole of Ireland in Londonderry.

Management said the scheme was not viable in the current economic climate and while economic climate and, while the plan for a national inciner-ator has been shelved, the company would be proceeding with proposals for a smaller inciner-ator at its Maydown plant to burn its own waste.

Transmanche seeks ruling

Transmanche Link, the consorriammanche Link, the constraint of construction compa-nies building the Channel tun-nel will today ask the Court of Appeal to quash last month's High Court ruling which effec-tively prevented it stopping work on the project in a dis-pute over costs. The five Brit-ish and five French building groups will be appealing

tax incentives

association represents 80 per cent of the UK steel construc-tion industry, which is the big-gest in Europe.

BA cabin crew

call meeting British Airways said it did not expect its flights to be dis-rupted this morning in spite of plans for mass meetings by Bassa, a union representing cabin crew. The meetings, over management plans to change working patterns, are due to be held in airports throughout the country, including Heathrow and Gatwick, between 8am and 10am. BA said only 2,070 of its 10,000 cabin crew had voted in favour of the meetings being

CBI promotes environment



carmaker, is massing thousands of cars at its uderland plant in north east England ready

a New Year assunit on the decressed British

ndent company controlled by Mr for a New Year assault on the depressed British market after a year which saw demand for all new cars in the UK fall by a fifth and Nissau which dismissed their case annual conference last month, against an injunction songit-by Eurotunnel the Channel tunnel operator, to prevent the contractors halting work in a dispute over the cust of fitting out the tunnel.

Spending cuts

More than 3,000 UK companies have been invited by the Con-federation of British Industry to join a voluntary initiative intended to promote better environmental standards throughout industry. The environmental business forum. first announced at the CBI's

is to begin work in January. Companies who join will be expected to demonstrate their support for improving the environment by implementing series of targets.

Production of beer falls

UK beer production in October was 3.4m barrels, an increase of 2.5 per cent on the same month last year, but despite indications of stocking up for Christmas, the underlying market trend remained depressed, said the Brewers

are postponed

Western Isles council, which lost £23m in the collapse of BCCI, has voted to postpone decisions on cutting its spending and raising its poll tax to make good the losses. Late on Monday night a special committee of inquiry ordered the immediate dismissal of Mr George Macleod, chief execu-tive, and Mr Donald Macleod, director of finance, holding them primarily responsible for

been suspended from dur full pay since September.

Nissan Motor takes advice

cated he would appeal:

Nissan Motor, the Japanese car maker, said it was taking legal advice over the move by Mis-san UK, its privately-owned UK block a series of payments to it totalling around £10m for Japan, Nissan UK confirmed that it had won a court order in Switzerland preventing banks from making the pay-ments on latters of credit for cars which have already been delivered to it.

£250m scheme for midlands

Rosehaugh, the financially troubled property group, has lodged with Biramgham City Council an application to hulld a £250m development of shops, offices and leisure facilities on a site of 15 acres next to the Centre and National Indoor Arena. The development

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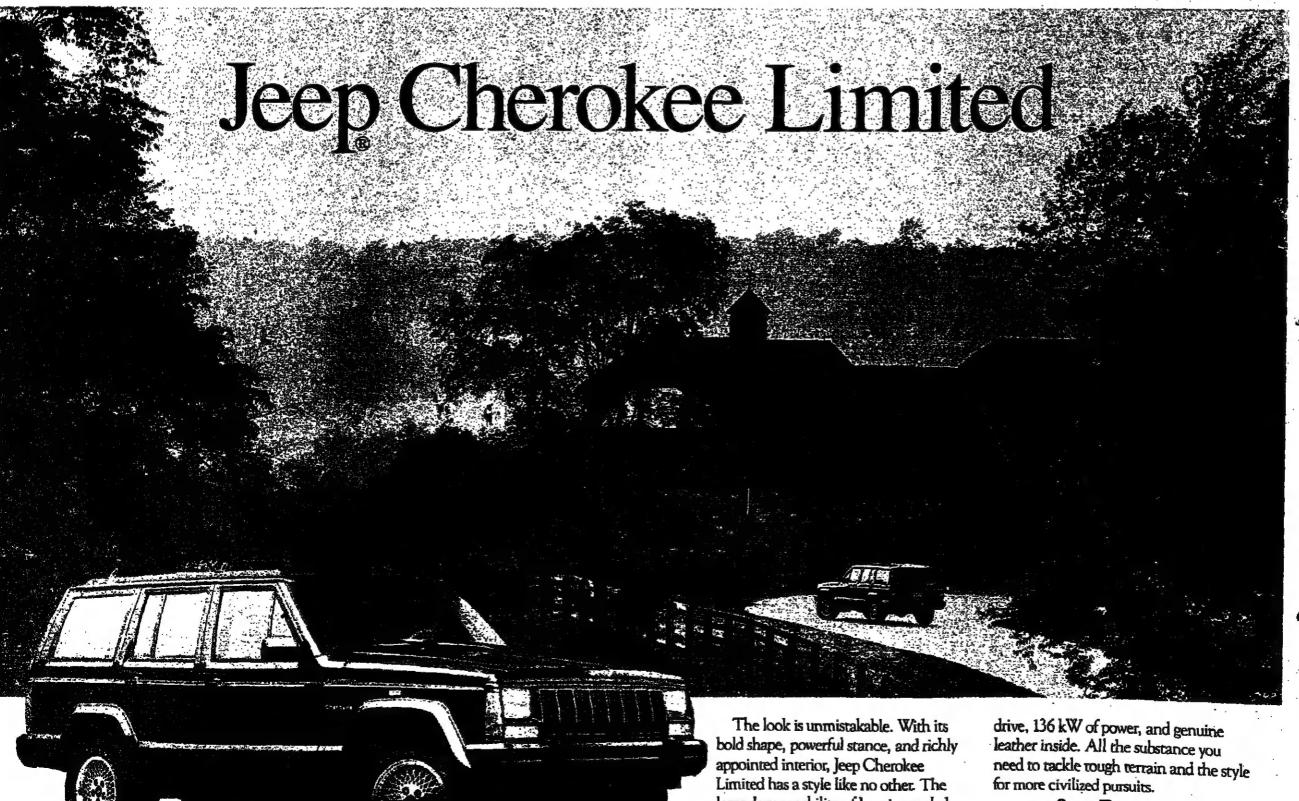
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FT LAW REPORTS

Oil tax allowance based on total receipt

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DNESDAY DECEMBER 18 1991

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House of Lords ord Keith of Kinkel, Lord Ackner, Lord Goff of Chieveley, Lord Jauncey of Tallichettle, and Lord Browne-Wilkinson's December 12 1991

TARIFF receipts allowance for petroleum revenue tax puroses applies to the total con-ideration received by a particator in an oil field for use of its assets or facilities by another field during the chargeable period, and not to separate receipts for each asset or facility made avail-

able to the user. The House of Lords so held when dismissing an appeal by BP Oil Development Ltd from a Court of Appeal decision upholding the Inland Revenue's method of calculating tariff receipts allowance for petroleum revenue tax (PRT)

LORD KEITH said that BP owned the Forties oil field in the North Sea about 100 miles east of the Scottleh coast. The assets of that field included a pipeline which ran from the field to the coast at

Cruden Bay and then across

country to the Kerse of Kin-Some 70 miles north of the Forties field lay the Brae Field owned by the Marathon Oil group. A pipeline owned by Marathon ran from that field to Forties, where it was connected to BP's pipeline to Scot-

land. On August 15, 1985, BP agreed to transport and pro-cess pipeline liquids from Mar-athon's Brae Field.

The facilities to be provided by BP fell into three parts: (i)Transportation of pipeline liquids from Forties to the tion into crude oil and raw gas; temporary storage; and delivery to a shipping terminal. The consideration payable for those operations was 50 pence per

(ii) Processing raw gas to produce dry gas, propane, butane and C5 condensate; temporary storage; and delivery to Gran-gemouth Dock or other delivpoints. The consideration for those gas operations was \$14.50 per tonne of raw gas. (iii) Further processing of dry

gas and propane (known as "sweetening"), at 10 pence per barrel of the original pipeline

Section 6(1) of the Oil Taxation Act 1983 provided that in computing assessable profit or allowable loss accruing to a participator from an oil field in any chargeable period ending after June 30 1982, the positive amounts (price received for oil won) included his "tariff receipts" attributable to that

By subsection (2) the tariff receipts were the aggregate of the amount of consideration received by the participator in respect of "(a) the use of a malifeting seed to the use of a qualifying asset; or (b) the proion of services or other busi-

ness facilities".

The pipeline by which the Brae Field oil and gas were transported to the Kerse of Kinneil, and the storage and processing facilities used in connection with that oil and gas, were qualifying assets (see section 8(1)).

So payments received by BP from Marathon were tariff receipts, to be included in BP's positive amounts in respect of the Foreign End.

By section 9(1) tariff receipts Howance was deductible for tax purposes from "an amount of qualifying tariff receipts" received by a participator in an oil field ("the principal field") from a user field.

By section 9(5)(n) "qualifying tariff receipts" meant receipts attributable to "the use of any asset for extracting transporting, initially treating or initizlly storing oil won otherwise than from the principal field", or to the provision of "service or other business facilities" in connection with that use.

By section 9(5)(b) any reference to "qualifying tariff receipts" received from a user field was a reference to receipts from a participator in the user field "in respect of the etc, or the provision of services or facilities in connection with

Paragraph 1(2) of Schedule 3 to the Act provided that in relation to a user field reference to the oil to which any qualifying tariff receipts related, was a reference to the oil won from that user field, extracted, transported, initially treated or initially stored "by

means of the asset". It was common ground that all the sums received by BP from Marathon during the relevant periods in respect of use of facilities, were qualifying tariff receipts within the meaning of section 9(6).

During the six months up to December 31 1983, the total consideration for all three facilities provided by BP to Mara-thon came to \$8.6m

Applying a statutory for-mula, the Revenue assessed BP to PRT on the basis of a total consideration of \$8.6m, result ing in chargeable receipts of BP appealed to the special

commissioner against the assessment to PRT, claiming it was enritled to separate tariff receipts allowance in respect of each of the qualifying assets which it made available for use by the Brae Field.

On BP's basis, the charge-able amount would be £3.9m rejected BP's contention BP appealed. Mr Justice Vinelott reversed the special commis-sioner. The Court of Appeal reversed Mr Justice Vinelott. BP now appealed.

The argument for BP

depended on reading "asset" in section 9(6)(a) and (b), and in paragraph 1(2) of Schedule 3, as restricted to the singular, and not as including the plural as it would normally do under the Interpretation Act.

it was contended that each particular amount of qualifying tariff receipts derived from use of a particular asset for any of the specified purpos ie extracting, transporting, initially treating or initially storing oil won from the user field. was entitled to a separate tariff

receipts allowance. It was said anomolies would arise from a contrary construc-

One of the supposed anomalies was that if a contract for use of a particular asset used up the whole of the tariff receipts allowance, the particiexceeding the total amount of tariff receipts under a second contract for use of a different

trate the Act's purpose of encouraging participators in established cliffields to make facilities available to new and more outlying fields.

On a true construction of the relevant provisions of the Act it was plain that its intention was to make only one tariff receipts allowance available to a participator in a principal field in respect of use of its assets for the specified pur-

In the first place, section 6 required the whole of the tariff receipts to be included in a participator's positive amounts for the purpose of computing his assessable profit or allow-

Section 9(1) referred to the "amount of qualifying tariff receipts" from a user field to be taken into account.

That must be the whole amount of the qualifying tariff receipts, not particular parts of them derived from use of a par-

Schedule 3 dealt with the method of determining the cash equivalent of the tariff receipts allowance. It was apparent that different assets were likely to be used in carrying out each of the four specified operations ("extracted, transported, initially treated,

initially stored"). So quite apart from the Interpretation Act, it was apparent that "asset" was to be assets", thus indicating that the qualifying tariff receipts might be referable not to one asset only, but to a group of

The amount of qualifying tariff receipts to be reduced under section 9(1) was the whole of the qualifying tariff receipts - not particular discrete amounts of qualifying tariff receipts derived from the use of particular assets.

Inland Revenue's method of calculating the cash equivalent of the tariff receipts llowance was correct.

There was no ambiguity in the provisions to warrant con-struing them to give fuller effect to what BP claimed was effect to what Hr claumed was the purpose of tariff receipts allowance, namely encourag-ing participators in established fields to make their facilities available to new fields.

Butthe question at issue

related to the allowance Parlia-ment had actually thought fit to grant. That could be ascer-tained with reasonable cerinty from the language used in the Act.

The appeal was dismissed. Lord Ackner, Lord Goff and Browne-Wilkinson Lord concurring judgment.
For BP: Peter Whiteman QC

and Marion Simmons (BP solic-C and Launcelot Benderson

and Revenue solicitor) Rachel Davies



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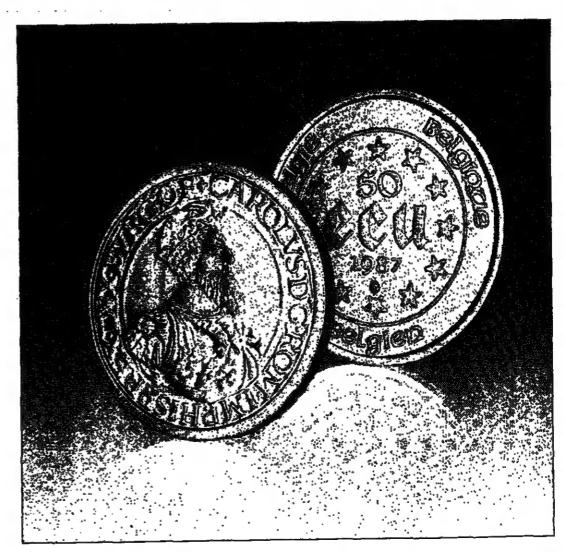
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MANAGEMENT

Company doctor offers prescription

By James Buxton

Ir Lewis Robertson's opinion on what causes corporate disasters is succinct: feeble management.

For Sir Lewis, the 69-year-old Scottish company doctor, other reasons won't wash. The workforce? Not an appreciable cause of trouble. Recession? Tends to expose companies that already have weaknesses. Bad luck? Good managers ought to be

prepared for it.
Sir Lewis last week
presented his analysis of corporate failure at a lecture in Glasgow. He is now on his seventh corporate rescue in a decade, that of the hotels group Stakis where he had to sack the chief executive Andros Stakis, son of the founder Sir Reo.

His other rescues of medium-sized quoted companies include Borthwicks, the meat wholesaler, also with a family involvement; Lilley, the Scottish construction company which almost collapsed in 1986, and Havelock Europa, the shopfitting company which lurched badly in 1989, causing institutions to insist that

Robertson move in. First in his list of corporate defects came: • Financial controls: had to be changed in all but one of his rescues because they were

either too weak, or ridiculously over-detailed, or, if adequate, had become discredited because the board was not paying a blind bit of Weak finance director: to

be effective he must be his own man, stand firm against too much corner cutting and quench too much optimism. Growth in size but not in competence: the men who successfully ran one foundry may be out of their depth running 10, or bandling a conglomerate of separate

operations.

• Ill-judged acquisitions: "it really and truly isn't possible to overdo the due diligence of studying a company before it is acquired". The next most common error is to sink back and fondly imagine that nothing can go wrong and that the new owners have effective

 Attention to markets. products and innovation:

pushed hard by its regulators, who represent both. It is not a

When the industry in England and Wales was priva-tised two years ago, there was

widespread concern that the

onerous regulation imposed -necessary because the service

Although these fears have

yet to be fulfilled, there have been a series of skirmishes

between the industry and its

two main regulators, Ian Byatt of Ofwat and Lord Crickhowell

of the National Rivers Author-

ity (NRA). The situation remains unpredictable.

privatised monopoly providing an essential service and its reg-

ulators was never going to be

easy, and the issue of regula-tion is set to dominate the

industry's politics for the foreseeable future. The one safe bet is that regulation will not

only remain tough, but is set to

In the first year after flota-

tion, most of the industry's

criticism and anxieties were

Lord Crickhowell, the tough,

politically astute former Con-

servative cabinet minister who

pushed hard for an accelerated

environmental improvement

programme in addition to that

already recognised as neces-

sary at the time of privatisa-

The open-ended additional

costs involved were widely

regarded as unacceptable by

water chiefs, and they had the

tacit support of Byatt. He was

primarily concerned to keep

down charges that were already set to increase well ahead of inflation in order to

fund the industry's huge £30bn

capital investment programme. The NRA was effective, how-

ever, in raising public aware-

ness about water pollution and

the need to improve river qual-

ity. Its most spectacular suc-cess was securing a \$1m fine

against Shell for pollution of

the Mersey. There have been a

clutch of other prosecutions,

including some against the for-

mer water authorities.

The relationship between a

is essentially a monopoly

would repel investors.

comfortable position.

frequently lacking: often a company keeps hoping that its traditional enstomers are merely flirting with a new supplier or technology and

will come back: "they never Loose financing: such as snatching at short-term borrowing opportunities. multiplying banking relationships for no good reason, and careless acceptance of covenants (like those on interest cover). When the chips are down,

demands of the least accommodating. Lender softness: in good times the banks don't take enough trouble to examine the borrower in depth, or to find out what other borrowings may later turn out to stand alongside them

multi-bank relationships

expose companies to the

and which rely on the same security.

Shirking decisions: it is striking how thorough, even inventive, weak management can be in devising excuses for postponing unpalatable decisions.

 Combined chairman and chief executive: it is far better to separate the functions and go for balance and

complementarity.

• Weak board: boards and their composition "are far more important than I believed when I was a bright-eyed and bushy-tailed young chief executive".

• Family relationships: "Four of my seven rescues have reflected either the internal problems of owning or formerly owning families, or the difficulty of finding the right way of achieving the transition from family to professional management".

Shareholder inattention: "the larger institutional shareholders bear a responsibility which they too

interventionist. A corporate rescuer must have enough experience to recognise the underlying patterns, enough credibility to attract support, and good advisers, said Sir Lewis. He will also need "a strong will and unshakeable self-confidence".

often do not bestir themselves to discharge." Shareholders

ay AbuZayyad represents the new face of IBM. As general manager of IBM's newlyformed data storage products business group, he is in the forefront of the computer giant's plans to transform itself into a "commonwealth" of increasingly independent husi-

data storage technology.

The IBM storage products

computer company.

The data storage products

group is on a fast track. It is leading IBM's charge toward leading IBM's charge toward decentralised management for two reasons. Data storage is an easily defined segment of the computer systems market, with technologies that span a wide range of products — from miniature disk drives for portable personal computers to high capacity data storage units for mainframes. More important mainframes. More important, however, is the independent spirit of this West Coast group. The disk drive operation has long had a strong-minded. entrepreneurial bent", says Jack Kuehler, IBM president, who himself began his IBM

accept top down management" than other parts of the com-pany, Kuehler says, acknowl-edging that not all of IBM's corporate executives at its distant Armonk, New York, headquarters have appreciated the independent spirit of the Californian group in the past. Recently, for example, the

its third-party OEM (original equipment manufacturer) sales. As well as supplying each of IBM's computer product groups with disk drives, the group last year rang up about \$200m in non-IBM sales. With his new found freedom

ness units. Earlier this month, Abu-Zayyad was handed world-wide responsibility for IBM's \$11bn (£6.1bn) disk drive, tape and optical data storage product

business.

He is charged with shaping this technology development and manufacturing division into a company that can compete with any other disk drive maker. That will entail speeding up product development and expanding market opportunities, as well as ensuring that Big Blue remains ahead in

group is a microcosm of the changes that have been set in motion throughout the glant

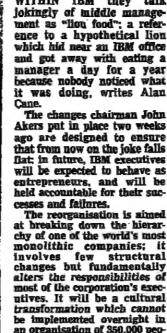
career at the company's disk drive development and manu-facturing facility in San Jose.

AbuZayyad aims to expand aggressively these "outside" sales to \$1bn by 1993, or one third of IBM's total projected

Off into the Big Blue yonder

data storage products group has led IBM's efforts to expand

WITHIN IBM they talk fore be less noticeable in



John Akers (top) and Jack

In the past, however, IBM's

mainframe computer systems

group has frowned upon sales

IBM and to the world that we are ready to do business as a

company serving IBM systems

platforms and also those out-

side IBM," says AbuZayyad.

That may well involve selling

disk drives to IBM competitors,

This readiness to seize new

opportunities, even if it means "rocking the boat", is hardly typical of IBM managers. In

the past, IBM's culture has

encouraged uniformity; hence the myth that IBMers always wear dark suits and white

he acknowledges.

Now we have declared to

"lion food"; a reference to a hypothetical lion which hid near an IBM office and got away with eating a manager a day for a year because nobody noticed what it was doing, writes Alan The changes chairman John Akers put in place two weeks

ago are designed to ensure that from now on the joke falls flat, in future, IBM executives will be expected to behave as entrepreneurs, and will be held accountable for their suc-

chy of one of the world's most monolithic companies; it involves few structural changes but fundamentally alters the responsibilities of most of the corporation's execnoise. It will be a cultural transformation which cannot be implemented overnight in an organisation of 350,000 peo-

Its provisions, furthermore, do not apply equally across the the organisation. Europe, for example, is reckoned to be in advance of the US. Italy, in particular, is said to be a model for the way the company should operated world-

Renato Riverso, newly appointed head of IBM Europe, says: "We are in the driving seat". The changes will there-

recognised the need to give its

ne creative freedom.

technology development

the scope for individual initia-tive has traditionally been

much narrower in other parts

of the company.
Other segments of IBM have

been slower to embrace prior

moves toward devolving deci-

sion-making. Within the stor-

age products division, how-

ever, AbuZayyad has created

specialist groups - each responsible for a different

aspect of data storage technology and product development.
They are "a group of technology specialists eager to demon-

strate that they can also

become businessmen", he says.

products business unit clearly illustrates the changing rela-

The formation of the storage

semi-autonomous business units. These will be of two kinds; products business units like the existing "lines of busi-ness" with responsibilities for development and manufacture, and sales and marketing business units focused on specific

Europe than in the US.

Essentially the idea is to

Louise Kehoe examines IBM's plan to transform its world-wide operations

The existing lines of business cover products like Enter-prise (mainframe) systems, mid-range computers and perproducts, featured in the accompanying article, is a new line of business which is a

model for the development of IBM's product business units. Product business units will have considerable autonomy to decide what kind of prod ucts to develop and make; they will also have their own mar-keting staff to sell their prod-ucts outside IBM. Sales and marketing busi-

ness units may, but do not have to, take product from the product business unit. They can buy from any supplier to meet their customers' requirements. Furthermore, they cannot return unsold goods to an IBM production unit. They will take responsibility for The intention is that eventu-

ally each business unit will

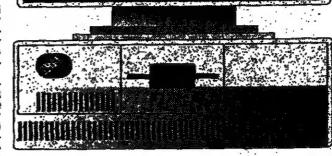
tionships among IBM's product

groups, but it also highlights

the potential for conflicts. Product group managers will now be required to make their own decisions on issues such as product development and manufacturing priorities and pricing. No longer will develop-ment of a new disk drive be delayed if one of IBM's computer product groups is run-ning behind schedule. "If they are not ready then I will sell to somebody else first," says Abu-

Another element of the IBM reorganisation that could be the cause of resentment is the realignment of management responsibility for many of the company's plants outside the

divide the company horizontally as well as vertically to create a "commonwealth" of



so be publicly accountable for nercial performance.

the fabric of the company take the strain? IBM's real problem remains how to convert lion

ble, for example, for data storage product factories and development facilities in Britain, Japan, Germany, Thailand and Argentina.

AbuZayyad is confident that he will continue to have good relations with country managers. "They are also our custom ers," he points out.

ers, he points out.

IBM's marketing and sales organisations will "buy" products from the development and manufacturing units. Like the product groups, the sales organisations will be measured in terms of their financial per-

Country managers will also have greater say in future in how they market IBM products. These marketing and service groups will now focus on market segments based on

"their own judgments of oppor-tunities", IBM says.

"We are embarking upon creating a very different IBM company," says John Akers, IBM's chairman, IBM's corporate executives intend to withdraw from the operational aspects of management as rap-idly as possible, be emphasises. "We are going to require of management and individuals increased entrepreneurial activity and decision making and accountability. Some peo-pie (within IBM) will not take to this," Akers acknowledges.

"In parts of the business

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where we do not have the prer-equisite skills," IBM is "aggres-sively considering" biring outsiders for senior management posts. That would be another big change for Big Blue.

shirts. Although IBM has long BUSINESS AND THE ENVIRONMENT

In the last of a series on the UK water industry, HE WATER industry feels vulnerable to Richard Evans assesses the impact of the criticism from customregulators on this 'privatised monopoly' ing charges, under pressure from Europe to achieve higher environmental standards, and

An uneasy relationship

organisation, and it has been keeping a lower public profile. Mike Carney, secretary of the Water Services Association, which represents the 10 privatised companies, has warned that further environmental improvements would be increasingly costly, with more and more expenditure required to obtain less and less benefit. "It is essential that any proposals for further improve ment should be subject to the most rigorous medical, scien-tific, risk and cost assessments

before decisions are taken."

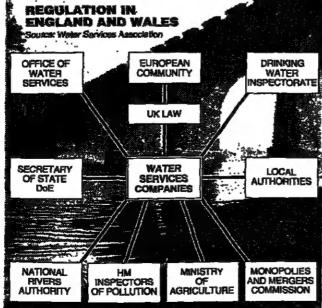
Pressure is being maintained on the industry to achieve environmental improvements, however, and the NRA last week published a disturbing report on river quality in England and Wales which showed there had been "a real and significant deterioration" in recent years.

Tough new clean-up measures have been proposed, and legally binding standards for water quality are to be intro-

Nevertheless, it has become increasingly clear over the past year that Byatt holds the key to the industry's future. It is no exaggeration to say that the recommendations of Ofwat and the developing relations between the companies and the economic regulator will decide between success and failure for the industry and affect its relationship with its customers and shareholders.

Byatt, a former Treasury economic adviser skilled in the ways of Whitehall, has a difficult task. He has to balance his obligations to protect customers' interests with his responsibilities to ensure that the companies have sufficient capital to function properly and that investors get a "reasonable" rate of return.

The NRA has been having The basic problem Ofwat, its own problems in recent and the government, faces is months, with the surprise reswho pays for rising standards. ignation in the summer of The NRA does not have to con-John Bowman as chief executive because of "serious shortcern itself with the financial comings" in the running of the state of the companies; it just



has to insist that certain work is done. Who pays for the work

Ofwat has been given considerable powers by the Water Act that foreshadowed privatisation, but the absence of any firm criteria for deciding who pays what and when has produced inevitable conflicts. Ofwat's role, essentially, is to find ways to apportion costs which are acceptable to customers and sustainable for the

fter a quiet first year, Byatt has been adopting a more aggressiv stance in recent months, exploring the limits of his influence and testing the mettle of industry leaders. He has drenched the indus

try with demands for informa-tion and warnings about excessive profits in his role as protector of the consumer. His reputation as a no-nonsense negotiator and defender of the consumer has been steadily

reinforced by the series of pointed "suggestions", and be is now regarded as the most interventionist of all the priva-

tised industry regulators.

Ofwat made it clear over many months that it considered the companies' profitability since privatisation to have been excessive. It called for "voluntary" cuts in next year's planned increase in charges, and nearly all the companies agreed, although only by small

The game of bluff and count-er-bluff ended in a draw, but Byatt's zeal and robust han-dling of his brief aroused strong feelings within the industry. Many leaders argued it was wrong to seek to change the rules so soon after privatisation when the industry operated in a medium and long term environment. North West Water was par-

protect the consumer. ticularly angry at the pressure, but blamed politicians rather than Byatt. Bob Thian, chief executive, said that short term

trol of the rate of return earned by utilities, a system deliberately rejected at the

time of privatisation.

Roy Watts, chairman of Thames Water, the largest of the 10 privatised companies, says: "The concern of the industry is that, without justification and after much too short a period, the regulator is beading in the direction of a role uncommonly like the government role of yesterday both in substance and timescale.

"It is much too early to change the principles on which the industry was floated. We need to get back to basics. Recterm nature of the business there must be responsible maximum freedom to manage, a comprehensive and searching long term review. . . and severe penalties for failure to

erform. We're in danger of tinkering with the engine before we've driven the car." Byatt has also put forward recommendations for increased competition, and he has pro posed stricter rules on financing diversification away from the core businesses so that out side ventures do not endanger water supply and sewage treat ment by pre-empting scarce

He is also insisting that he should be notified informally of any big or potentially conrsial moves into unregulated businesses in advance Most controversially, he has given his views on the future financial structure of the industry and the cost of capi-tal. His proposals that the industry does not need to make such high returns and should borrow more and scale down its dividends conflict sharply with the industry's assess-

The outcome of extended discussions over the next two years will decide the structure of the next big review of charges due in 1995, which will cover the following five years, Although apprehensive, the companies are anxious not to be too confrontational. It would not be sensible politics to make an enemy of the regu-lator, particularly in an indus-try which faces image and public relations problems. There is an admission that Mr Byatt has political and public opinion on his side in his efforts to

Previous articles on the UK water industry appeared on

political pressures could corrupt the regulatory regime carefully set up by the government and convert it into control of the rest of the control o disease that knows no borders

John Barham on a new initiative to rid South America of Chagas

incurable and deadly
disease that is slowly killing millions of people in South America. Because it affects mainly poor, rural and illiterate people who lack polit-ical clout, it has never been a high priority for governments. That, however, is changing. At a conference in Montevideo last month, scientists, donors and health officials from seven countries where Chagas is rife planned the first co-ordinated onslaught against the disease in a ten-year campaign due to start in mid-1992 at a cost of

between \$300m-\$400m. Corporate support will be an important part of the strategy. Business participation in environmental projects and in safeguarding industrial processes is well-established. But private sector involvement in public health campaigns is still in its

Scientists say they want more than corporate funding and donations of equipment. They are asking for help in organising what promises to be logistically complex operation covering a huge region.
A regional approach is

important because the insects that spread Chagas do not recognise borders. Chagas is caused by a parasite spread by blood-sucking triatomine insects. About 18m-18m people have the disease, most of whom will take years to die.
Every year about 300,000 people are infected by the bugs
that infest Argentina, Bolivia,
Brazil, Chile, Peru, Paraguay and Uruguay. Dr Chris Schofield, a British

scientist who helped organise the Montevideo meeting, says: "Scientists are fed up at seeing their work go nowhere because governments have not organised properly, so we got together to organise a campaign ourselves.

He reckons that eliminating Chagas will yield savings in health costs, productivity gains and other benefits of \$1.2bn annually. Meanwhile, the problem is growing as migrants bring Chagas to cities and spread the illness through blood transfusions. Chagas has even appeared in North American and European blood banks.

National campaigns to eradicate triatomine insects have



Latin America's rural poor are most at risk from Chagas

tive (and environmentallysound) insecticides have been available for 20 years. In Brazil, the worst-effected country, a campaign that began in 1983 eliminated the

bug from 30 per cent of its endemic area in five years. But it began creeping back after Brazil scaled down its effort in 1988 for budgetary reasons.
As well as co-ordinating the attack on Chagas, scientists hope the involvement of seven nations will maintain continuity. If one country's pro-gramme falters, financial sup-port and political pressure from the scientific community

and neighbouring countries

would ensure momentum.

Most funding should come from governments in Europe and the US, as well as the seven Latin American countries. Corporate funding and support will also be important. Companies will be approached for cash contributions, donation of equipment and supplies. They will also be asked to second staff and provide management skills. Organisers say they need pri-vate sector skills, such as stock control, logistics and financial management. For example, British Airways has been asked to help organise an information management system to co-ordinate data between the

seven countries. Organisers are also pressing governments to allow privatecompanies and banks to use existing debt conversion schemes to increase funding for the campaign. This approach, in which foreign debt trading at a heavy discount is redcemed for its full face value in local currency, has been widely used to

finance environmental projects throughout Latin America Hard-nosed business methods could also avoid waste and inefficiency. Chemical companies are alleged to bribe offi-cials to win sales and recoup the bribe by inflating prices and diluting insecticide concentrations. Scientists believe a well-organised central body would be immune to corrup-tion, would win discounts and ensure correct concentrations.

Groups like ICI, Bayer, Sumi-

tomo and Roussel are interested in helping, not least because potential insecticide sales could exceed \$4m.\$6m a year. Furthermore, public health campaigns have considerable public relations appeal. Merck, the US drug group, developed one of its veterinary materials into a country of the African country. medicines into a cure for African river blindness and then donated the drug Mectizan to a West African health campaign. Dr John Horton, worldwide products director at Smith-Beecham, the Angle-American drug com-

pany, says the Chagas cam-paign could also include par-allel health efforts. SB has little to SE. little to offer the Chagas campaign, but it does sell drugs to kill intestinal worms endemic in Chagas-infested regions. The pay-off would come from increased sales and a public relations coup.

Despite the scientists' enthu-

siasm, cautious backing from companies and rising awareness in the seven governments. much work lies ahead. The campaign is already riven by internal bickering, strategy is still being plotted and fundraising has yet to begin. Meanwhile, 800 people catch Chagas

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Played to the hilt: Anja Silja and Helena Doese in 'Lohengrin'

Lohengrin and Königskinder

It was just the old days, when production the Frankfurt Opera mini the Frankfurt Opera uproar. Elsa il front-of-stage, dreaming of inew Führer. Telramund il Reichstag, facing pliant Prussian Hemrich, impotent figurehead in morning hat, is Rindenburg-lookalike. glowing triangular projection represents symbol in alvatton Lohengin — on the anti-hero Heinrich in novel Der Min novel Der Contain -a conceited political upstart

who arrives in a make cap.
It is like up of those

disastrously wayward productions ... which the Germans try to come to terms with their Nazi past. But the higgest prise about Nikolaus Lehnnew Frankfurt of Lohengrin. is ... with navel-watching and exerciting to do ... live and everything to do in liv-ing may we munnervingly martial undertones of Wagner's score. Lehnhoff (and his designer Gottfried Pilz) are clever enough to close history, the work preserves its allegorical mystery. exercise of force and individual responsibility, about and and reality, rational and irrational with astonishing clarity in this fascinating, brilliantly-exe-

Lehnhoff's ties medicis in pin-prick the opera's set-piece ceremonial, draping in comic-ironic terms. Telramund fumbles will half-moon and speech prim as he approaches the despatch box. Lohengrin – a clubbable fellow hand-shaking riors disdainful of fawning arty swivels and the during his Act one A trickle of chic party-goers flick wim at Telramund in a show of mock the of Act two. Conversation in III bridal punctuated Sempri-

nistyle by Lohengrin's

I the grand piano.

Lohengrin all in in
theatrical
craftsmanship advanin choreography Frankfurt
chorus, precise control
lighting imagery,
grading
The casualty Lohenhimself, grainer

cipher. I gainer is cortrud. I study in psychological manipulation contrite I subservient one moment, tyrannically confront the next. As in I Glyndebourne Jenufa, Lehn-I brings II I Anja Silja, whose Ortrud, furcoated femme fatale, transformed I in her long periods I stience. The of played their roles to the hilt as Telranum Singuis I Nimsgern offered one of his perforwhile I identich Andrzej Herald were nobly Helena I apretty passionate Elsa, inicy that carries well. Thomas Sunnegardh the title role will pointed head-voice curiously apprendicts to passentiation.

pointed head-voice curiously he was portraying. Steven conducted fluently, but mental are the large choral

It is difficult to think of tree

cities so near other as
Frankfurt and
such apart. Frankfurt
banks, in skyscrapers spacious and and facades. The contrast is equally strong in make life. Frankfurt, with glass-and-Manual Sala Mana overlooking a notorious for drug addicts, has always ciated itself with the avant-garde. in William a majestic late 19th century Fellner and Helmer design, with a manager entrance at one end, a park at the other and a spectacular restaurant-ballroom at company's producstyle equally

Season's revival
Humperdinck's Königskinder
(King's III Premiered has never matched the larity of Hänsel und Gretel. The music goes through a Wagne-rian medley in Act one, takes on the air of a Smetana comic opera in Act two and ends with a poetic Liebestod. The melodic inspiration is fitful, but the work still commands a devoted in 1986, Pountney in to give it a least to give it ENO matrices

Wiesbaden's Königskinder is of warlety. It takes the story at face value ageing subscripH audience cooling I the work's fuiry-tale charm. Alois Michael Heigl's production, designed by Götz Loepelmann and Reinhard Wust, sets other-worldly first maddling-pool. Where the paddling-pool, where the Goose-girl her equally naive Prince and the Witch practises voodoo. Act two, in Prince and Goose-girl are in the real world final act includes an eloquent snow scene, as the lovers die of hunger ... poison.

work than this. The produc-tion's one bright idea was to give hilly-fledged stage to the who plays the Angel of Land music: haunting, while presence and played faultlessly. Other assets blonde Goose-girl and Min-Espen Fegran, a richi baritone of the libertone of the li small, light tenor. Natalie the braying Wirth The strings and horns of IM Wieshaden orchestra. ducted by Wolfgang Müller, of their forest

Andrew Clark | day's performance, and the

TELEVISION

When progress is not what it seems . . .

erry Jones, a former Python, spent half an hour on increasing programme This Progress... questioning in received wisdom successive changes in all aspects of infrom dentistry in holiday entirlement represent "progress". The teeth of infroment in the second in the died the Mary were un worse than our teeth today, and of us might assume, but better. Three bundred age ordinary people could settle cases of slander and libel in a cheap local church court; today only the very rich can afford such cases. The properly mand surface of a come iron frying pan used to get better and better (for some of us it still does) whereas today's "non stick" surfaces deteriorate. It was ■ fascinating and deeply satisfying extraordinary thing about it, in 1991, was that it was not part of a series but ■ one-off. We would be richer for more single pro-utes four hours long, with powerful ideas to convey, and the more icono-clastic better. goodness BBC2 can still find time for such work.

BBC2 can still find time for such work.

The absurdity Lord Rees-Mogg's piano-leg-draping-committee, the Broadcasting Council, becomes ever more clear. This month they report on 30 complaints. Mrs Jones of Harrogate, for instance, complained about in Wilt been shown by ITV and III pm. The BSC reports: "The Council's Complaints Committee viewed a recording of the film, adaptation of the Tom Sharpe novel about a polytechnic lecturer... to cause the stess tied him Angelica, anatomically correct' blow-up the scene with desperately attempting in the stess view the scene, the farcical style if Tom Sharpe, and unlikely to have caused for offence among those watching. Can you imagine the BSC sitting there on a Monday morning in their half-moon glasses glaring in this stuff? It has gettern morth of eightlen

sitting there on a Monday morning in their half-moon glasses glaring of this stuff? Like 27 others, mostly of a similar nature, this complaint was not upheld. It is not upheld that was against the were?

The law was against the for a Victor Lewis Smith piece in Loose Ends. The BBC acknowledged that in item able, and "steps had had taken beyond the incident". It is they ally did was be the Smith straight after the programme and long before after the programme and long before the BSC hove into view. So what has the activity of the BSC (financed, incl-

dentally, out of your pocket and mine) achieved? The second also against Radio I for broadcasting the manual four-letter swear word III Kaleidoscope. This was I live programme, the preapelogised on air for the contrib-utor's the of the word, and it was cut the repeat. Now the says the complaint from Mrs Kirkpatrick of

been "upheld". What?

The limit complaint upheld against Sky TV for broadcasting an advertisement for 18 terrificate film 5.30 pm. Sky apologised to the complainant, 18 Dawson of Essex, noted that ill screening of the trailer announced as after a loophole in the system had been closed. Again, was achieved which

and repetitive. The disappearance of Ronald Reagan and Margaret Thatcher from the world must have been blow, of course (the cigar-chomping Mafia godmother was a superb confection) but good cartoonists have always achieved a high level of comedy with whatever political material has been available. Programme 1 of high second crept into a ratings No.27, since when I has disappeared entirely from the Top 30. Hardly surprising.

Now that Radio Town is, supposedly, independent of the makers makers and standing to won feet, u u time it used telling the truth cinema movies and BBC dramas. Today the screening a its own television dra-



Spitting Image President and John Major; Mrs Thatcher and Ronald Reagan are sorely mined

would have been achieved by like writing straight to Sky? There thing said in favour of like appears to in ineffectual. It is accapped it might be replaced by something much best course is to tolerate it as a steamcock in ignore it; so reports here.

Unless they are the original produc-worth going a with Spitting Image, it funny, it is surely in a question of too long too long have suggested: In cartoons newspapers the form ought in endlessly adaptrenewable. In the beginning the puppets seemed brilliantly clever the scripts rather woeful. Then they worked the writing and made I much funnier, the too. Now it winnventive, dreary

Heading Home, Times only billing I with the white-on-black "Film" logo III— for real movies, it is also omitting any indication that this is a repeat. Probably readers will it being shown for the first time. This is of dishonesty originally in days when personnel the third way with billings. It know that view movies erally they have bigger budgets a less nannyish about they made every effort to less into believing their television dramas really movies.

Times should exert independence, in III mis-leading malarkey, "Film" iogo for real films (those which have run successfully in cinemas) and honestly when repeats of the being shown.

Here they began doing "live obliu-

aries" on Without one was ready mextend the benefit of the doubt and assume might men all to be merry and enlightening prank. But in the event it a proved, wire enough, rathe: ghoulish. It always seemed likely that the auto-obit of the Glenda Jackson would be yawn-makingly tedious, which of course it was, but Spike Milligan's was sad. It agood idea to hear from that benighted Irishman who was under the impression that Milligan's jokes have been mostly about bottoms and suchlike, even in The Goon Show (perhaps he had never heard The Goon Show, though he looked 🌃 enough) since this made you think about how fresh, weird, and non-lavatorial Milligan's work has actually been. Yet the man himself looked so desperately ill and unhappy that it callous require him to partic-

In Britain today Benny Hill is denied freedom of expression, although ■ he rrectom of expression, although he had peak programme he would doubtless wiping the floor with every other funny man. In 100 other countries, Friday's Omnibus BBC1 will explain, he is hugely successful indeed, outside Britain he is of the world's great comedians. Yet we are told that here out of favour"
because "his style to branded sexist".
Does this that British viewers
reject sort of comedy - slapstick, doggerel, heterosexual frolics
- which has been so popular in Britain
for centuries? Of not. It
three four in key positions in programme scheduling have toed the laid down by the totalitarian femi-who disproportionately rep-resented the world of the

media.

What it would probably turn out to mean, you could get right in the bottom of it (whoops!) is that those men would in the Hill if left in their devices, but have been suborned by feminist wives who get embarrassed it Islington cocktail parties when had by other feminists to justify their husbands' actions. Perhaps they could learn the line about not they could learn the line about not with what you say but defending a the death your right a say it. This seems to be of the first ples in Britain of "Political Correctness" throttling freedom of expression and a shabby it shameful. Incidentally tally, us long time readers of this column may recall, Hill's comedy has

Christopher Dunkley

Poulenc

radio 3 & Royal Pestival Hall

Poulenc's 1950 Stabat mater for Poulenc's 1956 States mater for soprano, mixed choir and orchestra provided Monday's all-French programme by the BBC Symphony Orchestra and Chorus with a notably impressive second half. This is one of the most substantial and heartfelt of all Poulenc's works: it looks back to Bach, across to Stravinsky, and ahead to his own Dialogues des C mélites, milli being at the bar with its own unmistakable individuality if proper

Poulenc remains an enigma. His methods can be disconcerting: the same brevity of inter-nal sections, the same unexpected swish of luscious harmonic progressions and meltingly lyrical turns of phrase characterise his light and serious compositions equally. With the bleakness of its minor-key choral tempered by the soft, sinuous line of the solo soprano, the idiom of the Stabat mater puts one in the solo soprano, the idiom of Ronald Crichton's memorably unkind put-down this (in Carmétites vein) as "boudoir

Yet it in the indepaire rightness of said and proportion in each section that one constantly registered in Mon

Company (071-928 LLU)

Tonight and tomorrow, Im Olivier

of Arturo Ui, Brecht's grim comic

is showing The first are !!-

parable about Hitler, starring

adaptation of The Intel in the

Willows, directed by Hallman

Hytner. The Lyttelton repertory
Alan Bennett's and play
The Married of George III starring

Bennett's acclaimed

Antony Sher. Fri, Sat and Mon:

accumulation over the whole sequence of a peculiarity per-sonal kind a gravity - also the ary in which, in spite of enc's religious vision utterly eschews sentimentality. The glory of paradise is by no means triumphantly proclaimed; the gently swaying. grief-stricken mood of the close proves deeply affecting.

The conductor, Andrew Davis, showed himself a strong, sensitive advocate of Poulenc. The various expressive pulls in music music kept in an acutely well-judged balance. Compared with the scratchy singing linearly-1960s French IIII recording, the execution here admirably unblemished; occasionally, though, one might have welcomed touch French forwardness, edge, a clarifying projec-In Régine Crespin that same record a solo esty al beauty of tone. Roocroft's youthfully gleaming, full-toned high phrases left their own distinctive mark; lower down the sound was sometimes curiously marky.

Christmas Eve

Rimsky-Korsakov's fairy-tale comedy seen at the English Opera three ago, and now Pountney's production energetically revived by David Sulkin. It does make a good femily the Christian of the company of good family alors by Christmas; the mail is well worth discovering; and principals was a particular pleasure to hear.

Drawn from Gogol, story used for Tchaikovsky Vakula the Smith. lage, represented here with any amount of winsomely jokey resource in E Blane's designs. The loves the Wall ing Oksana, III his III to win involve him with II. local Witch, the Devil and eventually II. Tsarina herself. Rimsky's version emphasises the homely magic: striking colour-effects in its contacted by Michael Lloyd), strictly for singers. The lat-has its limitations so far individual character-drawing - Rimsky was no Mus-sorgsky - but it generally tangy, rousing and some-

surprisingly poignant.

fine example that Max Loppert | Oksana's yearning last-act

song, "ethnic" but highly chrosong, "ethnic" but highly chromatic, lovely soloaccompaniment. With it the new the young Australian Cheryl Barker, developed from knowingness menthusiastic is the young Greater heard bluff, disarming manner but a hugely robust tenor voice large, full _____ natural, tireless and with exemplary diction. II is a splendid find; other man will and to have subtleties he be be capable of, but here he offers everything and much

Pountney for fre-netic cartoons. Anne-Marie Owens' What is ripe enough to make a solid mark (and she lends the Drudge Tuesday an authoritative voice too); so is John Connell's Chub, Ille crusty, lecherous father. Andrew sounds formidable as the "medicine man" Patsyuk - though that description in the cast-list doesn't sound quite right: translation-problem? Pountney's own translation

As often in comic

of He Himili sings tolerably well, with some bits.

Terry Devil and old lechers, the Mayor and Alas-Elliott the Priest, sing briskly, more production give them better opportunities in the scene than they ill wind up hiding in the giant bath Gogolian twist on bedroom Bearing singer-actors could make more genuine comedy of it; coming just before time like I longueur. Pountney's version if the long divertisse original conception - is crowded with hit-or-miss disarming.

The chorus, like the dancers and the jester/prop-changers, are called upon in do all inof strenuous things, and do them with a will. They it grand setpleces Rimsky allotted in them with stirring fervour. All in all, the whole is so determinedly colourful that it would need a very severe spirlt 🖿 take 🛊

David Murray

INTERNATIONAL TODAY'S EVENIN

BERLIN Schauspielhaus 20.00 Alan Miller

conducts the Berlin Symphony Orchestra in Indian Adagio for strings, Tchaikovsky's Fourth Symphony Mozart's Clarinet Concerto, with Land Simm. Tomorrow: Wurttemberg Chamber Orchestra (East Berlin 261) hilharmonie Kammermusiksaal 20.00 Bernard Haitink the Berlin Philharmonic Orchestra in music by Mozart, Illiand and Haydn, repeated tomorrow and Fri (West Berlin MII 4 383) Oper 20.00 Christoph Prick -- Elektra, with a led by Janis Martin 🚅 Leonie Rysanek. Tomorrow: Hansel and Gretel (West Berlin 3410 249)

■ BOLOGNA

Teatro 21.00 Violin by Uto Ughi. Tomorrow in Europa: Lyon Opera Ballet Fri and 🚾 📗 🔤 di 🖺 Valery Gergiev Stravinsky and Mozart (529999)

■ BUDAPEST

CONCERTS Zoltan Kocsis III conductor IIII

piano soloist in a concert tonight Academy II II III Budape Convention Centre, Karl Anton Hungarian Radio and Television Chorus Budapest Symphony in works by Tomorrow Academy Ausic, I s I s I s I s by the Land Hungaricus. In Hungarian Tun Symphony Orchestra III mark III III anniversary of Dvorak's birth Tonight at 17.00, mr The Opera

performs Die Meistersinger von Nurnberg, Tomorrow; Don Pasquale, Fri: Sun: Les d'Hoffmann The Erkel Theatre Hungarian-language performances

Hansel and Grade tonight, Fri Sun, Johann Strauss operetta Der Zigeunerbaron

 Pre-booking for concerts the National Philharmonic Booking (Vorosmarty 1) and 11 the Central Theatre Booking (Andrassy 18). AND IN PROPERTY AND ADDRESS.

■ GOTHENBURG

Counties 1930 highest Cleobury Cothenburg Symphony Orchestra in a programme il operatic in il by the German mezzo-soprano Dorls Soffel (167000)

■ HAMBURG

Staatsoper Fabio Lulsi conducts Otello, with Viadimir Atlantov in the title role, Franz Grundheber III lago and Gabriela

Benackova as Desdemona, also Sun. Tomorrow, Fri, 🏬 German-language version of Bernstein's musical On The Town. Sup and Man in the Musikhalle: Christoph Prick conducts Strauss Sinfonia Domestica and Beethoven's am Find Concerto. Tzimon (351555) Schauspielhaus 19.30 Shakespeare's Romeo Juliet, directed by Michael Bogdanov. 🔤 📰 Sun: J 🖹 Donleavy's play The Ginger Man. Hart Mon, Man. Thurs: Hamlet (248713)

Hawthorne (tonight in tomorrow), and Edward 1973 play The Lord (Fri, Lord Mon). The Cottesloe Lorca's ■ LONDON Blood Wedding and a classic conducts a revival Johannes play, The Little Clay Cart (071-928 2252) Scheaf's IIII production of Le Royal Shakespeare Company di Figaro, with Lucio Gallo The repertory M I'm Contacting in III. IIIA role, Thomas Allen 🖿 The currently Much the Count, Marie McLaughlin as Ado Nothing directed by Susanna, Felicity Lott = the Bill Alexander (tonight and tomorrow), and David Edgar's Countess and Anne and von Italia stage adaptation of Faller Louis Cherubino Runs till 12, Stevenson's classic we The with next performance on Fri. Tomorrow: Mozart's Strange Case of Dr Jeckyll and Mr Hyde (Fri and Sat). The Pit had (071-240 1050) 19.30 Adam Fische Mendes' production of Troilus Cressida and Peter Whelan's conducts IT Jones' ENO production of Die Fledermaus, new play about the conflict in fame by Vivian Tierney, wealth and ideals. The Bright and Design (071-638 8891)
For information about West Level Level and Lesley Garrett Sat. Tomorrow: Le nozze Figaro (071-836 3161) E shows, phone Theatreline from anywhere in the UK: Plays Royal Festival Hell 18.20 #317271 Sawailisch conducts 📹 London Philharmonic in Brahms' First Comedies 0836 - Thrillers

Symphony - Second Piano

Elizabeth Hall 19.45

Singers in Handel's Manual

1071-928 Mu

Concerto, Maurizio

Kraemer conducts

London Mail Orchestra and Holst

PARIS

THE RESERVE

Palais Garnier IIII Opera Ballet in Rudolt Nureyey's production Romeo Juliet, Figure till Com

Mar mir 0836 - 21131

Layer conducts | Wilson's production of Die Zauberflote, with Haymon, repeated Fri and Mon. Tomorrow, and Tues: Godunov (4001 1616) Pievel 20.30 David Zinman conducts Orchestre Paris in music by Rimsky-Korsakov, Lourie and Richard Strauss, with Kremer in Gubaidulina's Offertorium Repeated tomorrow (4563 0796)

tomorrow, Fri and Sat (4017

Opera 19.30 Friedemann

■ PRAGUE Tonight's Prague Symphony

Hall III conducted by Petr Altrichter. and includes Dvorak's Suite in A and Elgar's Cello Concerto, with Gustav Rivinius (u Prasne brany Tomorrow and Fri, Gerd Albrecht conducts the Czech Philharmonic Orchestra and Prague Philharmonic Chorus in Mozert's Requiem and Dvorak's Te Deum. (231 9164). This week's opera repertory includes Giovanni tomorrow at Theatre, Martinu's The Miracle of Our Lady tomorrow Smetana Theatre, and Smetana's The Secret on I I National Theatre. For pre-booking and information about events, contact city centre ticket agencies (Bohemia,

■ STRASBOURG

Prikope 16, 228738.

Melantrich, Wenceslas Square 38,

228714) and box offices.

Musique 🚰 📰 Jerzy Semkov conducts - Strasbourg

Phitharmonic Orchestra in Mozart's Divertimento K136 and Piano Pires, plus Beethoven's fill Symphony, Repeated tomorrow

Theatre Municipal 20.00 Ballet du Rhin in ■ new production of choreographies by Claude Brumachon, Oscar Araiz and Jorma Uotinen. Daily till 💷 Mon (8875 4823)

Bernd Roger Bienert, Tomorrow

ZURICH Opernhaus 20.00 Two ballets by

Die Zauberliote with mcast including Deon Walt and Hermann Prey. Fri: Le nozze di Figaro. Sat: Eliahu Inbal conducts first night of Tony Palmer's production of La forza destino, with a fed by Mara Zampieri, Francisco Araiza, Giorgio Zancanaro and Simon Estes. Sun: Lohengrin with Grace Bumbry

Tonhalle 19.30 Christoph Eschenbach conducts Im Tonhalle Orchestra in Ravel's major Piano Concerto, Gershwin's Rhapsody in Blue, Tchaikovsky's First Piano Concerto, with piano soloist Tzimon Barto.

Eschenbach ioins Barto orchestral soloists in Bartok's Sonata for languages and percussion, Repeated Fri (201 Fraumunster 19.30 Michela Petri

If flute soloist in a concert with the Chamber Orchestra (221 2283). Fri and Sat: Zurich Chamber

Orchestra and Concert Chorus in a programme 🖃 Christmas music by Bach [Corelli (252 1737)

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FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SEI 9HL Telephone: 071-873 3000 Telex: 922186 Fax: 071-407

Wednesday December 18 1991

A French Euro-blockage

EDITH the French prime minister probably hoping it will be third time lucky. After the rejection of her plan for a MITI-style industry ministry and her failure 🖿 stop Japan's MLC buying a 5 per cent make in Bull, III state runal computer maker, she is sponsoring sketchy plan to a sprawling, public high-tech conglomerate.
The aim is u generate "critical mass". Il 🖚 🕶 turn into 🛚

The combine would pool the activities of state-owned groups in nuclear bio-technology, electronics, puters and telecommunications. The capital equipment and consumer goods busi-would on I economic cycles, M offering the conglomerate financial bility. The profitable France Telecom could support Bull Thomson's loss making division.

Such a national rationalisa-tion at electronics and engineering would not itself be novel. In the past the British electronics industry was consolidated around the Company. In Germany, and Daimleadership in reinforced their

The consolidation plan Cresson's struggle industrial policy in Mr Pierre degovoy, minister, who controls the industrial portfolios. Hat there is a a European dimension. The French returned from Man tricht smarting over the watering-down of clauses on industrial policy. This Cresson's the hard Mrs in an addiest industrial policy

Driving force

The driving force behind the plan in the obsession among French policy-makers with Germany's industrial struc-ture. The French public banks, Lyonnais and Banque Nationale de Paris, are playing ■ quasi-Germanic III in indusrestructuring, through stakes in Usinor Sacilor, the steel producer. ... Air France. Now III government has come up with plan for a

EC partners should 🛂 wary 🕍 the glint in Mrs Cresson's In part III plan is an attempt w escape RC constraints on state aids by divertthe profits of France To com and the industry away from the exchequer into

loss-making electronics groups. Any such move should be stamped upon by 🕍 EC. Industrial logic

The industrial logic of ■ group spanning bio-technology and nuclear power is in to limit. Siemens was built patiently in the electrical industry. Its strengths, which follow from steady organic growth, cannot be gained through mergers; 🖿 weaknesses, notably slowmoving bureaucracy, can be. Above all, this return "national championism" will

resolve the strategic dilem-mas facing Bull and Thomson. The of companies, particularly ones operating in highly competitive, global industries like semi-conconsumer ics. sould merely manual companies and IIII I technology and new products. They would gain nelther by being lamped together.
The for Thomson

and Bull in international alliances. In semi-conductors, computers and consumer elec tronics that means doing Male with Japanese groups. Indeed, it is not clear that the Cream plan would find with land of the conesses involved, who is more aware of the need for an interpolitical Thomson already linked iii JVC, the Mills sushita affiliate, and Bull NEC. Unfortunately, and property operated this approach would

run into Mm Cresson's irratio-nal opposition in Ma Japanese. The danger M 1888 the proposed grouping could form the foundation for "fortress France". It could in in way I further restructuring alling industries within Europe and hinder the international alliances that any group ____ to survive. It would not be an industrial dynamo - France, La setious obstacle Luropean

Hong Kong in transition

THE important changes in the life of Hong Kong are unlikely to occur overnight on June 30 1997, when it ceases to be a British colony and becomes instead a special administra-region China. They taking now as each its institutions adjusted - or, like position – for transfer. I manner resolution gives grounds for about Hong Kong's well-being in

these transition.
This seen the agreement Britain and China on the building of Hong Kong's new airport. The end result of a protracted dispute reflected realistic recognition that Beling had to have a role in matters which straddled the hand-over — though the Brit-ish prime minister said on a the China made in seal the that there was "no ques-tion in the Chinese government seeking any veto, condominium or joint administration" before 1997. Then came the first elections

Legislative Council,
will number of under
made with China which, however, views Legco an advisory body with no manual until 1997. This month saw the first expression of partial democracy: a Legco vote condemning an agreement between Britain and China on the composition of the Court of Final Appeal, which is to replace the Privy Council as Hong Kong's ulti-mate judicial body.

Dangerous divergence

The arguments over court reveal the huge gulf between Britain, which was seeking to ensure specialist competence and therefore some judges from Hereitore Hong Kong, and China which viewed the issue as sovereignty and no outside (The compromise, still to be approved by Legco, allows for at most one out of five sitting judges lu 🜬 from over-The gulf in itself under-lines the difficulties of reaching amicable solutions on Hong Kong's future.

But the sale also reveals dangerous divergence in Imi governance H Hong Kong. On the one hand, democratic processes have in train and have raised expectations. On the other, important future in made by London and Beijing. It only do the meet in Joint Liaison Group, but as airport agreement they

now twice-yearly meetings foreign secretary level.

Democratic processes In theory, I'm mirror of

Hong Kong are incorporated into Britain's position by the governor, who is experied in London. But the reality is III over the coming years,
British
ment and of the people of Hong
Kong may well not coincide. Britain, after all, had never troubled to encourage demotic in Hong Kong until the time came near for it the important the next thorny one over the handover of military facilities in Hong Kong — will continue to be decided between Britain and China.

Hong Kong therefore needs
an effective advocate. Its governor should forcefully and pub-

licly represent its interests and views - as expressed through the democratic processes - so that they influence between London and Beijing. It widely thought lime there will me one more British-appointed governor Sir David Wilson, who in diplo-mat and Sinologist. The appointment should be made soon, and the appointee should be a more political animal, able to be tough with both sides.

A new governor would not solve the problem. Everybody in Hong Kong manoeuvring for 1997, whether it is an individual seeking a foreign passport or a company like Jardine seeking a different stock market listing. That can-not be prevented. Legoo will still be a body with high tations of itself, but which the future sovereign power sees a limited role. But a more style of government, ensuring that are publicly debated, would prevent the kind bitterness which arose in the airport dispute. The alternative will be unhappiness on all three and a rocky transfer which will

do no one any credit.

resident George Bush begins a long-planned trip to east Asia later this month with goals. He wants to core rect the impression that US foreign policy is tilted toward Europe; and he intends to convince his hosts that the

The theme of "Annual in Annual may not be an easy sell in Japan, Australia, Korea and Singapore when Mr Bush sets out on December 30. Calls for more presidential atten-tion to domestic affairs forced Mr Bush to postpone his Asian tour in early November, sending ripples of unease through the region. In University run-up to next year's presidential election - and after ceremonies to mark the 50th anniversary of the Japattack on Pearl Harbour on December 7 - the air is thick with mildly xenophobic First rhetoric among Democrats and Republicans alike.

Most Asian governments feel that continued strong US presence, understanding in Washington of the region's problems, are essential for its much security. They are watchful for any sign that US commit-

ment might be wavering.

The US has pushed one regional agenda. North Korea's efforts develop nuclear weapons - evidence that they far further advanced in previously thought possible — were described recently by Mr Dick Cheney, US define secretary, as the number one in to security in the market proposed proposed in the security in the region. He postponed proposed troop cuts in South Korea.

troop cuts in South Korea.

But it is not only North Korea that arouses unease. While the rest of the world I adjusting II mend of cold war, many Asian countries nurse animosities II mistrust among themselves, stemming from imperial occupations II wars both long ago. In never sure exactly who the III is," say one experienced Asian diplomat. It fear is that the end of the clear-cut superpower divide will create I vacuum in which divide will create a vacuum in which tensions could grow. This has prompted calls from Asian

academics and some governments for a multilateral forum in the regional security issues could be aired – but there is no consensus on how this should be done Proposals for an Asian -----

the Conference on Security Co-operation in Europe are viewed as premature; there has even been resispremature; there has even been resis-among the Association of South-East Asian Nations (Asean) to discussing security at annual ministe-rial meetings with main trading part-ners – the US, the European Commu-nity, Japan, Louil Korea, Canada, Australia and New Zaskad. Australia and New Zealand.

Mr Chung Min Lee, a South Korean university professor, says: "The need for a realistic regional security institution will be enhanced in the years competition both within the region other has the EC may well be intensified." But he concedes that "the vast hich Asia represents poses immense challenges in the creation of a region-wide security mechanism."*

Why is it difficult? Mr

Nakayama, until recantly Japan's for-eign minister, said in speech this year that the region did not have clear-cut east-west dichotomy. "The alliances are mostly bilateral; the conflict of interest among nations is complex: their threat perceptions we diverse; all of which makes the overall security configuration extremely

complex."
The IM military pres Asia has reflected this. It has never been shaped exclusively by the need to contain Soviet power. Its role as "balancing wheel" or honest broker remains important, underpinned by a network of essentially bilateral alli-ances, if which the lynchpin is the US-Japan security pact. A continued strong US commitment to Asia remains important as tensions linger, write Lionel Barber and Alexander Nicoll

On the safe side of a security risk



in an artific hi the winter in of Foreign Affairs magazine, III IIIII. Beker, III secretary of state, calls for a new Asian security order built upon pillars: a framework be economic integration to support an open global trading system; a push for democracy; and a defence structure for the Asia-Pacific theatre.

Soviet Union, the Pentagon find drawn up plans for a cut of slightly more than 10 per cent in its base force of 135,000 deployed in Asia; these cuts

of 135,000 deployed in Asia; these cuts are to be coupled with higher contributions from Japan and the state of the contributions from Japan and the state of the contributions from Japan and the contribution of the contributio

Asian countries see ample reasons for maintaining a strong US multary presence. Asia brings together the interests of five important powers -the US, Soviet Union, China, Japan and India, of which the military might of the last two is growing. The rapid mummic growth of many countries in the region also creates the risk of discord. The fiercely competing for investment, and I drive to maintain their growth rates could be at each other's expense.

Most worrying to many Asians has

been the strong military presence of the Soviet Union. Mr Kiyoshi Araki, a Japanese diplomat, writer: "While unilateral or negotiated reductions in in Europe and other parts of li-world, (the limit of Pacific) in-only region left where the relentless qualitative upgrading of Soviet con-

progressing. True, the Soviet Union has had a new posture. It has established diplo-matic relations with South Koree, and has held talks - not resolved - with

The north-west Pacific is the only region where the relentless upgrading of Soviet conventional and nuclear capabilities is progressing'

Tokyo on the issue of the Kurile Islands seized from Japan in 1945. Relations with Beijing have improved. meaning has withdrawn its free from Mongolia and reduced its military presence in Vietnam. However current break-up if the Soviet the form and Mantity of future le nuclear arsenal - keeps concerns

reasons to maintain its presence. The Asia-Pacific region is America's larg-est trading partner. Two-way trade

- warly a third more than in had trade US companies have more than \$51bn in the

region, and there are more than \$91bn of Asian investments in the US.

The US has pushed successfully for multilateral forum to reflect shared economic interests. The Asia-Pacific Included US. included the US and 11 its familie basin economies when it was formed two years ago; in November, the club extended membership to China, Hong Kong and Taiwan. Despite fears about its being a regional economic bloc to counter the EC and "contain" Japan, Mr Baker insists it will be a catalyst for economic integration and trade

US interest in multilateral approaches applies throughout Asia. Mr Baker, in his article in Foreign Affairs, cites the Cambodian peace process in which the combined efforts of Asean members, Japan, Australia, and the permanent five members of the the United Nations Security Council all pushed the parties towards

fragile agreement.

There are other problems in Asia to which such an approach could be applied. The most overall, though they that of the two Koreas, though they with the signing of a pact of non-ag gression pact and reconciliation, their first substantial accord since the end of the Korean war. I joined II. United Nations, and are holding regular talks as well as stepping up cross-border trade.

At the same time, there are signs

that the multilateral pressure on North Korea over the nuclear issue may be paying all North Korea recently shifted all position to say that it would sign all agreement permitting international inspection of its nuclear facilities when the US begins withdrawing nuclear weapons from withdrawing nuclear weapons from South Korea. The withdrawal is thought to be nearly complete. North and South Korea also agreed to work toward a nuclear-free peninsula.

But the nuclear concerns remain, and it is uncertain what will happen

in Pyongyang after the 79-year-old in Pyongyang after the 79-year-old Kim Il Sung, the communist dictator who has ruled the north for years, dies. There have been suggestions for four-plus-two" discussions involving the two countries and four powers: the US, the Soviet Union, China and Japan. But South Korea firmly rejects any Japanese participation in the determination of its future.

Elsewhere, there are a number of

Elsewhere, there are a number of other potential points of future instability: Burma's regime has stepped up its oppression by closing universities in to student demonstrations, violence in Indonesia, political and economic problems in the Philippines; and the long-running dispute between China and Tatwan. Many issues in Indochina remain

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unresolved: the fragility of Cambodia's agreement was under-lined when Khmer Rouge guerrilla return to Phnom Penh to take part in the transition process; and Vietnam's communist leadership, striving win international acceptance and financial backing for market-oriented economic. reforms, remains stymied by a US embargo. Washington, still smarting from defeat 15 years after the fall of South Vietnam, has made only small moves towards normalising relations. Against this background, the pos-

are of each of lim region's main powers is critical.

In Japan, the relationship with the US is seen pivotal, and confidence in it remains strong. Japan itself can wield considerable influence over regional security issues through its economic clout. Japan's defence spending has been steadily growing as a proportion of general government nearly 12 per cent in However, in Japanese remain very uneasy about any increased mili-tary role. Mr Kilchi Miyazawa, the new prime minister, falled to win parnew prime minister, failed to win parliamentary approval this year for a
hill to authorise the despatch of Japatroops I. UN peacekeeping
the legislation stirred
the would infringe the
country's peace constitution.
Perhaps the unknown I
the future approach of China, by far
the region's largest country. It has
Indonesia I Singapore signalling

Indonesia and Singapore, signalling its desire for warmer regional ties. But it remains a significant seller of arms to undestrable regimes such as

that in Burma.

With a multilateral approach to the overall security of east Asia still some way off, the region's best hope is that recent relaxations of tension will foe-ter stepped-up bilateral discussions, with concentrated international efforts to solve persistent problems, along the lines of the diplomatic efforts which produced the Cambo-

efforts which produced the Cambodian peace agreement.

This will require sustained US engagement, but it may also a greater political role for Japan. In Europe, the has shown itself able to adjust to the growth of German power, the test for President Bush in Asia will be to spell out how he has the off-mentioned, but still ill-defined, global partnership with him out in practice.

* The Asian-Pacific Islaming in the Year 2000: Prospects and Challenges. Sajong Institute, Seoul 1991.
** Japan's Security Policy in the Regional and Global Context. RIIA Discussion Paper No 37 Chatham

Coutts' new banker

■ Coutts ♣ Co, the Queen's banker, prides itself on being terribly discreet. So no one is making any visible fuss of the fact that a mainstream clearing banker from parent National Westminster is being parachuted in for the first time to replace managing director Julian Robarts who is taking early retirement. Unlike his predecessors

iari Farnsworth is not an old Etonian, nor is he member of one of the founding families. There is still a Robarts' office in Lombard Street and chairman Sir David Money-Coutts is the great, great, great, great grandson of Thomas Coutts. By contrast, the 53-year-old Farnsworth started as a humble bank clerk in

But he is clean shaven and promises that he will don a trock coat when on duty. He is also very enthusiastic for his new charge claiming that "the era of the private banker is making a comeback".
Although the 400-year-old
Coutts has been under the
NatWest umbrella since 1919, it has always been run III arms length and has never been a real money spinner. With close to 2000 staff and just 45,000 customers in the UK, its return

on capital is mediocre, yet its potential is considerable. Whereas other UK clearing banks, such as Barclays, have ditched their famous regional banking brand names like Martins, NatWest still has a chance to exploit one of the great names in private banking. Farnsworth's arrival is long overdue.

Two-card brag ■ Northumbria police, the geniuses who brought us cardboard cut-out policemen to deter shoplifters, are marking Christmas with a different sort

OBSERVER

They plan to station fake police cars made from it in strategic positions, such as es, to shock speeding motorists into slowing down. Costing £375 aplece, the full-size models of Vauxball Senators in the Northumbria PPG company, which also begets the cut-out cops.
But motorists in the area

should be warned that the police are not playing an entirely dummy hand. Real officers with speed-detection devices will sometimes be on duty beside the cars or further along the road.

Baring plus

■ Julian Baring's switch to Mercury Asset Management, along with his £45m gold fund, is remarkable. After almost quarter of a century James Capel - including 16 years as the number one rated gold analyst – capturing Britain's number one gold bug is quite a coup for the House of

In one respect it can be seen as a family reunion. The 56-year-old Baring, and cousin Oliver, both learnt the gold trade in South Africa's Anglo American Corporation. Oliver joined Rowe & Pitman, now part of Warburg, and is the key man in maintaining Warburg's close ties with Anglo. Julian says that his cousin's presence is pure coincidence. Nevertheless, it does mean that Warburg now has the most formidable group of mining-related talent in the

City.
The track record of Baring's gold fund is impressive but this probably has more to do with the fact that the fund was not committed to putting all its money into the yellow metal. Baring has been less successful when it comes to forecasting the gold price



"I'll have to let you go — most of my round's been re-possessed

back on his old favourite of relating the price of a gold sovereign to the cost

the Savoy.

In 1914, a sovereign would pay for dinner for 3.3 people.

A decade ago, it would buy

A decade ago, it would buy dinner for six. At today's price of £48.25 the ratio drops to 1.3. Baring, has been wrong before, but he thinks it means that gold is cheap rather than the Savoy is too expensive.

Currency quiz

For the second year running boss of Goldman Sachs' economic research team in London has rung to boast that no one has yet been able to crack his annual Christmas quiz. Any reader who can answer the following three questions is in line for a case

Which currency would be most audible when the wind blows, especially in the US and Scotland? Which currency would ■

Goldman Sachs economist use

court in a Latin tennis Who does this too alle. He was an academic international economist a soldier in the Finnish army, an adviser to a Wall Street investment bank,

involved in one of 1991's major bank scandals, and whose initials are a packet of chewing gum's brand name. In the event of a tie, the producer of the best completed ilmerick the first two

are as There was a young man called George Bush

Answers to David Morrison. by close of business tomorrow. Telephone 071-774-1000; fax

Mind-boggling Incredible though it will seem to anyone condemned to make shortish trips to work

to make shortish trips to work by British Rail, the cure for the resulting stresses may to be to lengthen the journey by moving home farther away. Or so it would appear from research by Nene College's Dr Tony Cassidy, reported to the British Psychological Society's London conference. People working more than People working more than 70 miles from home have "bet-

ter psychological being than their locally working counterparts, he said. They are also on the whole physically fitter. Another trait that might make them attractive to

employers is that they're sig-nificantly less manual in material rewards while at the same time being keener to win promotion to high-status jobs.

Hail fellow

■ A couple of farmers are dis-cussing ways of surviving in their depressed industry. Twe taken out hall insurance".

"I can understand fire insurance", says his friend, but how do you make it hail?"



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naging your cashilou. It sets out how you can access cash within 48 hours of raising each invoice, to give you extra working capital that's linked to sales, not fixed assets. With a full range of credit mana

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The Initial impetes to later before the limital impetes to later before the bound by the Monophiles and

Lord II

Sir, Sir Owen Green is

undoubtedly in sug-

ecutive" is misleading

applied to directors of compa-

He is, with, in the same

greatest completely incorrect in suggesting that there is no difference in

role of "part time" or "indepen-dent" directors and their

full-time executive colleagues. Over recent years I have as

mixture of quoted and unquoted companies

directly involved in the removal of one chief executive and two cases where the post of CEO was combined with

that of chairman.
In both the latter cases I became acting chairman pend-

The Financial Times could

provide a great service to the smaller business by publishing some of what I suspect will be a torrent of letters in response to Mr Gary Neville's comments

on companies' expectations of banks (Letters, December 13).

Twenty years of tradition even with one bank was worth

nothing in our case, at line of the recession.

Mr Neville suggesting that there was no banking relation-

ship prior to the big about-face? Mr Neville's assessment of the failings of small busi-

ness would also seem to describe accurately the short-

From Mr P.E. Marks.

<u>LETTERS</u>

Amendment of Non-executive directors pensions

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Mr C.E. Busk. Sir, The recent amendment to Article 119 of the Treaty M Rome has supposedly clarified the retrospective effect of Barber v GRE. Notwithstanding the clarity with which the amendment is worded it may, in the event, not have the effect which it intends because: the right to a pension = a proparty right; in Barber the Euro-Court confirmed that Article 119 applied and always has applied to pensions; male members of pension therefore, and always have had, a right to the better benefits provided for their assumption that Barber does have some degree of retrospec-tive effect, the amendment to Article 119 has the effect of

House gone

House taking away a pre-existing property right.

The effect of the amendment may therefore be contrary to (a) Article 1 of the First Protoofficer of 1 col of the European Conven-tion on Human Rights which provides (inter alia) that "no one shall be deprived of his possessions except in the pub-lic interest and subject to the and by the general principles of international law, and (b) the provisions of the constitutions of various member states against the expropriation of

against the expropriation of private property.

This amendment may well lead both the European Court of Human Rights and the various national constitutional courts to consider whether the amendment may validly form part of national law.

C E Busk,
Simmons & Simmons,
14, Dominion Street,
London EC2M 2RJ

Stena could have chosen better than Sealink to test UK water

The same link", December 9) very inter-esting. One angle not covered is how well Stena Line may have done if it had spent its money more wisely. In my opinion "very well" would be the answer. If Stanz Line were trying to repeat its Scandina-vian successes in the UK, then vian successes in the UK, then its hopes were already doomed by the acquisition of Seelink.

As the article made clear ferry operators run their operations from the UK as a mode of transport (albeit not a very cheap or comfortable one), and no more They cater for goods and people to get from A to B. Consequently, they run from a place that gives a short crossing, gives easy access to roads, and offers cheep port facilities; in other words the people reside in place and the ferry terminals in another. Add in that the UK's geographical institute. R M Dawson, thick property is a successful business in this a few would take it to the name of a new toothpaste. All we see at the moment is that a republic, which is fighting for political and financial independence from a corrupt which which is fighting for political and financial independence from a corrupt is communist. which means crossing an unin-spiring stretch Masala, escape from it, and the result

From K M Dowson.

Sir, I found Richard Tomkins' article on the crisis at
Sealink ("The crisis at SeaSuch a fresh outlook needed a fresh start. In order to succeed Stena need only have picked new ports offering new routes, such as Liverpool-Dublin; New-castle-Gotbenburg/Hamburg or Southend-Amsterdam. For a toe-hold in the UK a Newcas-

toe-hold in the UK a Newcastle-Gothenburg connection would have been a good start to test the water.

I am sure the development of new routes based on new port facilities with the assistance it would bring would have been less costly in terms of money and labour relations than the price paid at Sealink. The concept of taking people to "nowners" (at a far lower price and in far greater comfort than anything offered in the UK) is a successful business in this

Confronting Maxwell can have different role

In It William Proops Sir. Bronwen
review ("A mirror on well", December 13) of "Bower's "Maxwell, "Outsider", did do author full justice. ing the appointment of \mathbf{n} new I have also been a member within the past three years of two ad hoc committees of the board formed will time issues from which the full time

Bower all alone among journalists in daring to confront Maxwell. He did so as directors were disqualified as a result of conflicts of interest. a freelance, with no messive resources behind him. The extent of his courage was shown by the way in which he There is nothing particularly exceptional in this experience! It is typical of the increasing realisation that the role of directors not financially depenwithstood the fury unleashed upon him by Maxwell and his men. His book was painstaking and serious and it is a shame upon the company upon whose used they serve can be, and increasingly is, different in significant respects from that of the full-time employed that other journalists, newspa-pers and bankers did not do more to support Bower and did not learn from his calm exposure of Maxwell's methods. William Shawcross, Priston Place,

Sussex BN20 GAH

Another shunt

From Mr R J Hunt.

Sir. Observer's comments ("Last word". December 16) on Sir Roy Welensky and Harold Macmillan, later Lord Stockton, on hunting and shunting are not original — hence why not covered by the obtrusties — and pre-date their meeting. They are ascribed to many. They are ascribed to many; usually to Sir Pred Burrows on his appointment in 1946 as a governor in India via Ross on Wye station and the railway

R J Hunt, k I Hunt, Lloyds Bank Financial Services, Canterbury Centre, Graylaw House, Walling Street, Canterbury, Kent

German instincts on Croatia are not based on wartime past

Sir, Re your article, "Germans instinctively back self-de-termination" (December 16), I hope that one day even the British nation will stop mea-suring all political actions in Germany by reference to our second world war past. Do you really think that Chancellor Helmut Kohl is

director. Richard Marsh,

When 20 years of tradition with

one bank counted for nothing

Laurentian Financial Group,
Laurentian House,

The final paragraph straight from it bankers' em

where to go!
If there is to be any charity,

it would take the form of a suspicion that the banks shoul-dered the rap for an old-fash-ioned credit squeeze, the antidote to a politically moti-

vated need for reduced interest

Crop Link (Agriculture), Norton Perris,

rates. P.E. Marks,

Kilmington, Warminster,

All we see at the moment is that a republic, which is fight-ing for political and financial independence from a corrupt communist government, is being left to stand alone by the

RC, as well as the United

discussions are not a way to rescue lives in both parts -Serbia and Croatia. Fourteen ceasefires

many governments (as well as your correspondent, Quentin Peel) speak of a "one sided picture of Serbian aggression". It is really unbelievable.

Is it possible that the UK refuses to recognise Croatia and Slovenia of its own problem in

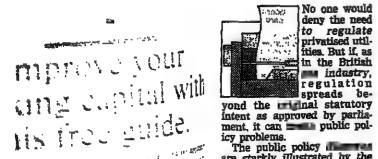
Northern Ireland? Please do not criticise Mr Subil's decision to support Croatia. We invest our the same unbloody

Fax service

PERSONAL VIEW

Heavy hand of regulation creates policy dilemmas

By John Surrey



deny the need to regulate privatised utilities. But if, as in the British industry, regulation spreads beyond the inal statutory intent as approved by parliament, it can public policy problems.

icy problems.

The public policy are starkly illustrated by the five-year battle between British Gas and the regulatory authorities. British Gas privain virtually the 17m cm. protected by public obligation on British Gas and a ers in the contract market, only "light touch" of regulation was considered tion was considered regulator was to a mere umpire adjudicating between the and producer.

Five on, government policy has changed significantly. In March 1991 Tegulator tightened the price cap formula to British available and to prevent profits. That apart, regulatory interventions all sought E "kickstart" competition in the market. Yet nowhere the public policy advanthe government. The regula-The initial impetus in intensify competition an inquiry by the Monopolies and

Mergers Commission Which British Gas to publish price schedules of firm interruptible supplies on a non-discriminatory basis, and to publish the information on third-party carriage necessary To the pace of competi-

already had under
British responded reluctantly with whereby supply the oil companies which would replace it am equal The regula-tor wanted competitors obtain 30 per cent of the "firm gas" element of the industrial

market by October 1993. The effects of these artificial props to competition were that:
Following large reductions in British Gas carriage charges the regulator these no longer an cle w competition.

■ The price ■ When well winners. adjusted to accommodate losers, the schedules become increasingly complex and diffi-

cult to operate.

The oil companies obtained 75 per cent of the new power station market for gas and a growing share of the tradifirm gas" west • In the year to June 1991 tages and of competition out by the regulatory authorities or the had risen from nil to 4bn per cent in the whole contract market and

competition authorities still not satisfied. At the Concervative party conference in October, Mr Lilley, and industry secretary, announced British must land it ransmission a separate activity, and its continuous land its continuous land its monopoly over the tariff market was to be abolished and that unless British accepted the changes in MMC would are duct a inquiry.

Regulation spread beyond la "light touch" ed. Although regulatory should as Shows no sign of doing

Yet there are limits to how
far the regulator can go. The
regulator must take account of

British Gas's legitimate business interest and its statutory public supply obligation. The government's own position is delicate, since it has to con-sider the impact of an evolving regulatory policy on, for exam-ple, share prices and the gen-eral uncertainty this creates.

However, it is important that the heat of the battle does not obscure the public policy issues which have arisen as the regulation has spread

First, the large volume of gas contracted for power generamarket from one tight supply and the depletion I in the depletion of the depletion determined the depletion dete that most gas that ducers prefer long contracts

divided on how long the reserves will last and on the effects of new gas imports; but prices are likely to rise due to competition for the limited gas supplies available in the 1990s.

Second, deciding when com-petition would be sufficient was always going to be diffi-cult. The recently reported sug-gestion that British Gas should give up 75 per cent of the whole contract mar arbitrary, the more so because most of the competitors so far are oil companies. They them-selves are vertically integrated and are selling gas into the market in which they have a large stake as oil suppliers.

Third, if it wishes to open up the tariff market to competifeasible without excessive costs and without compromis-

ing supply security.
Fourth, the role of regulators is to implement policy as approved by parliament. Yet regulation has spread far beyond the statutory intent without the involvement of important for parliament to oversee developments in regu-latory policy, perhaps through a joint committee of both Houses given the limited terms of reference of the existing

It is time to stop pursuing "competition" as an end in itself and to consider these wider public policy issues. The author is a professor at the Science Policy Research Unit, University of Sussex. This article is Summarised from a book to be published by the Max Planck Institute in March.

Edward Mortimer

A curious role reversal

Yesterday's EC compromise

on the crisis in Yugoslavia

should be welcomed

nothing like the outburst defend the Serb minority but



your Christquiz: European poli-AFFAIRS Germany, in opposition m

Antre the former both favoured early recognition of Croatian independence. The latter opposed it.

she still been in power she would have recognised the Croats and supplied them with arms to defend themselves. I wonder. This is one issue on which Whitehall and her cabi-European geography not change. Germany Italy will always more directly in Danu-

which Whitehall and her cabi-net colleagues would probably have talked her into a more policy.

Still, by voicing her in the ing, she has drawn in to a curious role reversal between Germany and its Nato allies, Remember all those column inches your read at the herin-Remember all those column inches you read at the beginning of the year, during the Guif war, about the fundamental difference between the victorial war at the powers? former, felt felt responsibility for own borders. The latter, traumatised by defeat and occupa-tion, had become allergic to any suppression of intervention any suggestion of intervention in other people's conflicts, or to sending their armed forces abroad even in m peacekeeping capacity; and looked for ways of solving any conflict by nego-

tiation and compromise.

In the Yugoslav context the line-up is different. Not that the German government is context the line-up is different. actually proposing to send troops to Croatia indeed, the fact that it would almost certainly not do so explains the irritation at the German attiirritation at the German atti-tude so widely expressed in Whitehall and elsewhere. But German public opinion, includ-ing left-wing sections which vociferously opposed il. Gulf war, is insisting that "the III-ing the stopped" and demanding that II. German sovernment. government, without its European partners, take action to stop it. Meanwhile British public opinion largely indifferent - there

evidently also with the object creating a "viable" with an outlet on the Adriatic. The rest of Europe indeed become involved but Germany Italy feel more involved than most. They the EC and Lord Carrington in negotiate a little but that has not either. The of people are to kill each there in nothing about it, but for Germany and Italy, doing nothing in not such

an option.

That on the level of public opinion, something alse happened, which in turn (precisely democ-

It is easy to argue that any given action, will only make matters worse. The trouble is that they are getting worse anyway

timi in present regimes and policies (Germany of Italy of actively seeking we expand we Yugoslavia's expense, and brind the Mathelies of the Croats against a Serb-dominated centralised will a ready-made instrument of their designs.

of popular outrage which

greeted the sufferings of the

Kurds in the spring - and the British go

core of this beg that it is mo-

Will in gales on? The explanation should in firmly dis-

cerned above all un avoid mili-

second world war. Between

and lit may be; but

better the form Ark pow-

former Allies it in not.

W unume certain hand has

tify observation in jus-

tary involvement.

different, Germany italy
have unimpeachably corratic peace-loving regimes for civil in
Yugoslavia possibility, that if it came it could be very unpleasant, would for the civil in the could be very unpleasant, the civil in the could be very unpleasant. as a whole and especially for long time they tried is deal with this problem by up me federal government men encouraging it ill adopt

reforms.

That policy slovenia and Croatia declared their independence. Serbia and the Yugoslav army refused in accept it, and have now occupied about one illust of Crostia's territory, ostensibly iii

racies) into government policy. German media of the been than British, no uncritically pro-(though British hardly pro-Serb). The last diaspora in Germany is much larger and influential than in

being important will of influence. that the mean Gerproduct product not are not) to see that they are who punished for attempt right of self-determina-

It is lead by Germans, who out of frontier changes in Europe by an act of self-determination of their own, not an sympathise with the Croats' attempt to follow the ple. And it is hard for them to understand, after being roundly for their wimaggression against Kuwait (compared which Croatia is almost model democracy), why the **warm** people who them now refuse to anything 🖾 check Serbian

against Croatia.

Of course there good reathe most important being practical rather than legal. Bitexperience in Northern Ireland and elsewhere has taught III British IIII there kind of conflict, which it is much easier w m involved than to 📠 out afterwards. 📙 is also to argue that any action, including recog-and Slovenia, will only matters worse. The trouble is that they

getting anyway.

The "even-handed" approach 50 far adopted by the EC and Lord Carrington is suspect for two remain First, it is made really withhold recognition from il two breakaway republics. 🗥 🔝 contrary, by preserving the fic-tion of a single Yugoslavia that approach gives spurious legitimacy the so-called Yugoslav National Army. Secondly, II in me necessarily right to be even-handed between strong and weak,

will be victim.

The recognising the repubhas it difficult apply kind of army without penalising of the last in

The compromise in vesterday Brussels early yesterday should be ded it is cer-tainly better for the EC to act together in European European opposite (which dangerously reminiscent, not of 1941, but if 1914). recognition to be made to tional on respect for human minority rights on willingness frontier other disputes peacefully: a precedent recognising the former Union.

middle of a set is another mat-ter. With hindsight, it a great pity that this approach was tried when Slovenia and Croatis first I down their independence, before the ous lighting started.

FROM THE FINANCIAL TIMES



AN INSURANCE POLICY

The role of the pension fund trustee has recently come under the spotlight. More accountability. More public concern. More pressure on you.

More than ever before it is critical that all trustees know how to avoid any traps or pitfalls that might catch them out.

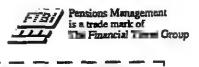
That's where Pensions Management can help. A monthly magazine, published by the Financial Times, and written by pensions expens, Pensions Management can help you do your job. Professionally.

For instance, in the December issue of the magazine we carry a listing of all major trustee training courses available. Strictly to help you and make sure that you know all the ins and outs of working life as a trustee.

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FINANCIAL TIMES

Wednesday December 18 1991



Japan enters the economic unknown

Robert Thomson analyses the likelihood of a 'recession' in 1992 - growth below 3%

SOFT landing hard tion that the Bank of Japan times ahead? Japan's will lower the official discount institutes and financial companies cannot quite If the country's slowing way is on course for a Japanese-style recession

 growth ■ less than ■ per cent - in the coming year. All agreed that growth will slower than in the current fiscal year 🖿 end-March, but the inconsistency of lead-ing Japanese economic indicators has inspired very different interpretations of the likely

officially, Japan is expecting per cent growth in gross national product (GNP) this fiscal year, though everyone except the government that this target 🖺 📰 🗷 reach. The of 18 institutions fall between 3.3 and per cent, with the Nomura Research Institute (NRI)
expecting 3.4 and Yasuda
Life Insurance

optimistic 3.6.

The differences in outlook
greater in fiscal 1992. NRI particularly pessimistic, forecasting only per cent. The Bank of Tokyo predicts growth of 3.3. does Yasuda Mutual. Sumitomo Life Research Institute expects 3.1, Mitsui Trust Bank 3.0, Daiwa search Institute 💷 페 Hok-Takushoku Bank II There a general presumpwill lower the official discount (ODR) from the present per can to 4 per cent during the year, but NRI believes that 😽 stimulus will come 🔙 late to revive private capital investment, which it will fall by 1 per current

Capital investment is source much the disagreement. Most institutions confident that consumer spend-ing will remain healthy, and increase by at least 3 per cent and possibly by as much as 3.4. But the range of predictions for capital investment of 0.4 per courtesy of Nikko Research, and by the Bank | Tokyo.

The capital investment fig-ure is well down on the 20.8 per reported by manufacturing year, with companies unable to maintain pace because of higher diffiweak downturn in profits in the cur-

rent Research that its for decline in capital on expectations that companies will no ment to expand pro-

duction capacity,

Manufacturing industry had

expanded capacity in the hope

Japan's household consumption in October rose 3.1 per cent from a year earlier, the sixth consecutive month of year-on-year growth, according to the Management and Co-ordination Agency. The agency said that the personal consumption trend appeared firm in spite of the slowing economy.

of ever-rising sales, but demand has this and accumulat-

"Improvement of corporate liquidity is expected to is hampered by limited the line market, lending financial tions wanting to capital adequacy requirements, and the redemption of equity-linked financing beginning in fiscal 1992." Nikko explained.

Foreign brokers' predictions vary widely their Japa-counterparts. Barclays GNP growth for cent, having just revised down from 2.9 per cent to reflect the

"delay in US recovery."
In Il. virtually all Japinstitutions. BZW pre-lingrowth in April-September but momentum later in the year. Goldman

forecasts a trade account surplus of \$113.7bm, surpassing the 1986 of \$101.6bm, and surplus of \$101.6bm, and surplus of \$101.6bm, and surplus of \$101.6bm, and surplus of \$101.6bm, and Sachs, M. US broker, predicts 3.1 per cent growth We expect growth in M. first half

The forecasts, by both Japanese in foreign institutions, tend is support Japan's argument Japan's argument Japan's argument Japan's argument Japan's allowing Japan's argument Japan' encouraging companies to

that the economy is the the though the though confidence recent months.

later, and the economy will come to show proper growth."

While growth is slowing,
Japanese institutions expect the politically mention than and current account surpluses to remain at near-record levels next year. Mitsui Taiyo Kobe

\$2.9bn, compared with 1986 record of \$94.1bn.
Nikko
the current become surplus this year is likely to be \$74.8bn, more than 1985 record surplus than 1985 record surplus this year's 1987 record surplus than 1985 records record surplus than 1985 records re \$33.7bn, but rise more modestly next year to \$76.9bn. It that the trade account account surplus will be fuelled by a recovery in the year and much a record. \$104.8bm.

rency, which closed yesterday in Tokyo at Y128.28 to the dollar, there is a shared sense that there will be no dramatic ents in the coming year.

movements in the coming year. Forecasts range from around Y125 to Y135 for the average yen-dollar rate for the year.

Mitsubish! Bank says that the general trend will be towards a stronger yen, with an average rate of Y125, dependent on fluctuations in interest rates and the fate of the US trade deficit.

Germany to recognise breakaway republics despite EC delay

US welcomes EC Yugoslavia deal

By Our Foreign Staff

THE European Community's compromise on the recognition of Yugoslav republics unlikely to resolve the community in speed in the recogni-

The DI yesterday welcomed EC's to until January 15 recognition Croatia Slovenia independent republics, saying would allow more in for La efforts of Mr Javier Perez de Cuellar, UN secretary-general, and Lord Carrington, the European Community's mediator on Yugosla u find a peaceful political u

However, in Indian jub lant Helmut Köhl
announced Germany
would immediately with its plan in grant dipand Slovenia. It said the EC ognition was megreat victory

well for Europe. 11 Denmark), the exception Denmark), the Security Council and — belatediy — the III all urged on Germany.

in broken yesterday, in indication the dead-line for final EC decision would be January 15, leaving one-month breathing which could be used revitalinternational

to halt the fighting.
EC foreign in their final declaration early yesterday are certain condirecognition including human rights and for the ethnic minorities, should be met length Janu-

Lord Carrington said he expected Croatia in meet the EC's conditions. However the chairman EC-sponsored conference Yugo-slavia said Croatia would have accept more rights for the



Helmut Kohl tells the Christian Democrat party convention in limital u yesterday that Germany will recognise Slovenia and Croatia

ethnic minority within than provided for in

Guarantees for im rights in ethnic and national groups and minorities, in accordance with commitments under the Conference on Security Co-operation in Europe's char-ter, form one of the most important guidelines for the recognition in the by the EC their meeting on Monday.

Reports from Indi-

that less commitments have frequently not been respected in practice. It Lord Carrington said Croatian had already it it be that they would prepared is remedy this sit-

In Serbia, thousands of Serbs, have fled from fighting in Slavonija, central Croatia, march on Belgrade, the Ser-bian capital, in protest at the The refugees said the name had failed an protect II against a Croatian offensive

during which Serbian-inhab-ited villages were burned.

Twelve UN military experts
all arrive in Belgrade today in whether peace-keeping troops will be to Croatia and to the central less succession ly-mixed republic of Bosnia-

Ambitions sink, 2 Curious mai reversal, 7

London **brokers** fined

Continued from Page 1

est fines and regrimands. The disciplinary actions follow moves by Fox and five broking firms to create a false impres-sion about the extent of inves-tor interest in a market in property futures created by the exchange early this sum-

tract through one broker, Mar-shall French & Lucas, in the process incurring losses of £162,055 (\$294,940). Also, Marshall and four other firms -Refco Overseas, Sucden (UK), Prudential-Bache (Futures) and Hambros Bank - traded between themselves on a no-

trades in property futures were conducted in such "non-commercial" ways before the market was closed this suitume, the SPA said. Just 7 the market represented genu-ine trades for investors, while a similar proportion were gen-uine arms-length trades

The five brokers all admit-ted to the charges against them, and had "agreed a set-tlement" of the disciplinary actions, the SFA said. The fines ranged from £60,000 to

The low fines recognise the fact that Fox instiguted the market-rigging, rather than the firms concerned, and also reflect the ability of some of the firms involved to pay without suffering financial hardship. Mr Mark Blundell, chief accounting of Fox regions of the firms in th executive of Fox, resigned

when the scandal broke.
The regulators have passed their findings to the Department of Trade and Industry, the body responsible in bringing command prosecutions under the Financial for market-rigging.

Maxwell Communication seeks creditor protection

Continued from 1

into minim and could have triggered receivership.

Although its banks had given approval loan repayments until Friday, some had not signed this

standstill agreement.

Banks said yesterday
were "surprised" "disappointed" by MCC's
file for Chapter 11 and administration.

administration.
The company, which has total debt of £1.5bn, was conducting negotiations with a steering banks, which was led by Credit Lyonnais of France, and included Chass. France and included Chase Manhattan US, Fuji Bank of Japan, Union Bank of Switzerland, Barclays of the UK, WestPac if Australia and Bank ill Nova Scotia. Bankers fear that they may

have to their MCC. The banks hardest hit are

tikely to include Credit Lyon-nais, which is thought to have a £150m exposure E MCC, Bayerische Vereinsbank Germany, owed £85m, Swiss Volksbank, owed £42m, and Swiss Bank Corporation, owed around £60m. Direct loans by UK banks are small. The second damaging effect of the request for administra-

tion is that it confirms MCC's shares are valueless. Banks with loans to the Maxwell family's private companies on MCC shares are likely to face big losses on these loans. Lloyds, the UK bank, is believed to have loans of at least £50m to the private companies which are unse-cured or backed by worthless

Gatt nations in last attempt to agree farm subsidies cuts

By Favil Gardner in Brussels

THE European Community and the III will today make a and the lim will today make a last attempt on how to reduce farm within the Uruguay Round talks, Mr Arthur Dunkel, director-general of the Canaral Agreement General Agreement III Tarille and Trade, puts forward 🖿 "take-it-or-leave-it" draft promises on whole round on Friday.

Mr Ray MacSharry, EC agri-culture commissioner, Ed Madigan, the US secretary for agriculture, mant in Brustoday try to bridge in main remaining The important

mix in the planned reduction a export subsidies a cereals. The US and the broadly agreed III per mini cut almost entirely on the exports. Mr MacSharry La Mil

merely that in budgetary outlays for exports in guarantee a reduction in least cent in export volumes. Senior EC ple political which the European Commission trying he sell the marrie of the community's regime which would make the min

There is also in the little agreement on should be allowed into the Gatt "green box" for parts held not in trade,

But the said.

But the said of crack Auti-dumping deadline, Page 5

remains the volume of exports, particularly of wheat. The base period from which the

A senior Commission official warned that "the Americans what they want, of where their bottom line is, and they don't care how they get it as long as they get it."

The US is aiming for a vol-ume cut about 14m-15m tonnes of wheat a year, against
of 10m-11m
tonnes the EC believes it can
deliver. Even so, a number of
member states led by France
last week accused Mr Mac-Sharry of caving in to the US.

WORLDWIDE WEATHER Temperatures of military Process C-Cloudy Co-Drizzio F-Intel Fig-Fing H-Holl R-Intel S-Basey III Intel Sa-Super T-III

The gigantism of Glaxo

Glaxo share price is becoming slightly unnerving. It is ral for a non-cyclical company with a legal monopoly in its products to do well in a recession. But Glazo is becoming an With market value of £24bn, it is not only the biggest stock on the UK than most UK market sectors: bigger, for instance, than water and electricity put together, or than the entire UK quoted insurance industry. Among pharmacentical stocks, Wellpharmacentical stocks, Wellcome also did well this year; but it did badly in 1990. Glaxo outperforming he now is are throwing large, recession-proof international

it only in to point outperforming in 1981-82, In shares outperformed by 250 per cent. In the last two years they have done little more than double against the market. But hy the end of 1982, Glaxo's market value was only in line with other stalwarts such as BAT, ici and Marks and Spencer. It is now the size of all three. And in infollowing recalling.

Glaxo's defenders only in the past two years. And as drug week, earnings us

Leave with the odds Language drugs with prove toxic. In arguments Zentac's patent or Language drugs with the odds Language drugs wit huge margin of error in fore-casting drug revenues. The fact remains that Glaxo's return on capital has fallen for five years in a row, while its earnings growth is a quarter what it was in the mid-1980s. At yesterday's 829p, the shares are on twice the UK market's historic multiple and less than half its yield. There is a respectable view that in the long run Glaxo is never worth selling. At present, it is not worth buy-ing either.

the UK government announced provisional public borrowing requirement for round on which the market is market either.

FT-SE Index: 2,432.9 (-7.9)

Share price relative to the FT-A All-Share index

Martin a just But £1.5bn-£2bn short City en intimes, the gilts market unmoved it will clearly take more than one month's figures to convince investors that the long-term trend is not deteriorating. Even the Treasury admits that November was distorted to the tune of at least £0.5bn by exceptional tobacco duty pay-ments ahead of an industry

price rise.

With more than 25 per cent of the year's corporation tax receipts due in January, moreover, there is still scope for the last four months of the year to disappoint. The market is already thinking about 1992-93 and the likely impact on the the of high unemploy-

Racal/Williams

Institutions who managed to sell their Racal shares to Wiltiams for cash at 57p last week have had an easier time than those who must make up their minds by Sunday whether to accept Williams' paper. The choice is more finely balanced than it looks, even the Racal At 45p Racal is some 19
per below its peak, which
suggests that much of the bid premium is out of price already. On the basis of recov-

already. On the basis of recovery prospects a year out the shares look cheep.

That is all right, however, only for those who believe Racal's recovery story. The market has been disappointed in its expectations of Racal before. Sir Ernest Harrison's forecast of £50m in pre-tax profits for 1991-92 was made profits for 1991-92 was made without disclosing full-year research and development

now projecting a figure of some £100m for 1992-93. The downside may be greater than the market is currently willing

is refusing to overpay and its tactics have tended to confuse. Yet its management is traditionally more determined at tackling costs than that of Racal and should prove capable of squeezing substantially higher margins out of the target. It would also find it easier to generate the cash needed to develop the electronics business than would Racal after a Chubb demerger.

Williams may have underperformed the market by 8 percent since the bid was launched. That could change if third time lucky, it finally won a contested bid. Yet its management is tradi-

Cable & Wireless

that recall investors have received their BT share certificates, perhaps they should consider using their share shop youthers to effect a quick switch into Cable & Wireless. The logic is simple enough BT's growth is slowing, down and the next few years will be spent defending its excessive market share against the regulator and C & W's Mer cury subsidiary. In particular there is no guarantee that the relatively light regulatory regime is date will continue to while it will continue to generate large amounts of cash, BT will be the stored for the continue to the stored for the stored

amounts of cash, BT will be struggling to preserve its above average rate of return. C & W, by contrast, is in the rather better position of owning a spread of assets, not least Mercury, in which other international telecoms companies are interested. Talk of an investment by AT&T is unreliable at this early stage, but is doubtless a guide to the future. If a clear value is placed on the growth potential in Mercury, the rest of the group will be worth more than its present worth more than its present share price implies. Since its interim results last month, C & W has outperformed the mar-ket by 10 per cent. The trend could continue.

Norwich Union

The cuts in reversionary bonuses amounced yesterday
by Norwich Union are slightly
depressing. Norwich has
publicity lately by
sharply increasing its weighting of bonds versus equities. It
now appears it does not expect expenditure. It is thus difficult particularly good real returns to tell how durable is the turn in the 1990s from the bond-

GENESIS CHILE FUND LIMITED

PRELIMINARY RESULTS

for the year ended 10th September 1991

a. are less arrane rate pobletions	-//1	
	USS212,948,033 USS value proper Participating Share USS0.91 USS per Participating Share USS0.70 USS ate: 14th January WIII	1990
		(11 months)
Total	USS212,948,033	US\$74,683,2
Vet asset value		
Participating Share	US\$32.51	US\$11.40
iarnings per Participating Share	US\$0.91	US\$0.84
Dividend per Participating Share	U\$\$0.70	US\$0.65
lecord Date:	14th January #WI	
ayment Date:		,

A STRONG YEAR

Net walue per Participating Share up by 185%. Continued economic progress, a favourable balance of payments and domestic institutional activity contributed to an excellent investment result.

FURTHER OPPORTUNITIES

More emphasis has been placed in the service within a well diversified portfolio. Further opportunities are expected from both new listings and from the additional of growth Chilean companies expand into neighbouring countries.



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basis the tire of the **6**490 541 \$1616 \$200 \$200 percent Page 21 Japan revises new 35 The Jacan Sapurnia signs of the Land and the Total State (Black August

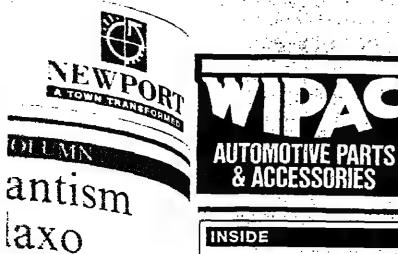
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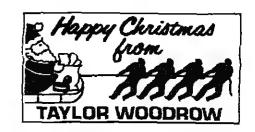
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FINANCIAL TIMES COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED



INSIDE

ALD supermarket or problem to long. chain falls In \$3.92m to the state of the state |

Great Atlantic & Pacific Tea Company, known in the US the A&P supermarket chain, slumped to in the three months to end-November, compared with in the period period before. The fourth-largest supermarket group in the US, with 1,251 outlets, now regisquarters of is financial year, against \$119.4m last time, Fan 17

Hoesch and Mannesmann link up Germany's heavy which ing which in from overseas competitors poor market conditions, was knitted further together by the announcement yesterday Mannesmann, two I the country's leading I and engineering join forces in manufacture III marketing and pipelines. They will an opercent the in the company per cent him in the company, which will be based near Dortmund and employ 17 Page 16

Top marks for Mexican market



Mexico's boise, and all world's top perform-Ing markets, weekend which confirmed Mexico's and the limit commitment push through a greement "as possible". Although a had steady his in the few weeks, it remains had performer, u marting him of the few weeks, it in FT-Actuaries World Indices, with a gain of 115 per cent in had currency terms. Page 38

Babcock shines through gloom Illuminated in one of the line companies to stand out initial size gloom surrounding UK engineer-ing companies. After us 11 per total size in preprofit in the six months to September 30, annual figure a expected to approach 250m (\$91.3m) compared with last year's £46.7m. Page 20

Oppenhelmer taps into tantalum Mr Harry Oppenheimer, former (1991) Anglo American of South Africa, in backing a project in Western Australia designed in firm long-term price stability in the landstar market. He is investing, through a family and in Gwella Consolidated, an analysis and in the consolidated The Greenbushes, one of the statement world's three 🚾 operating tantalum mines.

Southern Electric dividend rises Southern Electric, and electricity utility warming the india of England, yesterday reported a pr profit of £13,7m (\$25m) for the half year to September Mi against later on a pro forma basis previous year. The interim dividend of 4.9p per share gave a second of 8.5

Japan revises new share sales The Japan Security and Design Association and IIII Tokyo IIIII Exchange plan III revise auction system for companies offering to the public for the first time.

Market Statistics

Bese lending rates	34	London traded options	18
Benchmark Govt bonds	17	London tradit options	18
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Accor	- 1	
Allianz	16	Mannesmann
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	19	Pavis
Bromsgrove Inda	21	Poliv Peck Inti
Clayhithe		R.H. Macy
Conroy Petroleum		Rémy
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Wednesday December 18 1991

French group's expansion into Italian market signals new shake-up of industry

BSN, the leading French foods group, yesterday announced that it was poised take full control four Italian mineral water brands, thereby signalling a fresh reorganisation of the European

Agnelli family holding company, makes BSN Italy's leading sup-plier of mineral water. The deal is also part of a wider extension of BSN's interests in Italy, where as From group

THYSSEN, the German industrial and trading group, suffered its third consecutive profits fall in the year to the end of September as its steel and engi-

by low demand and falling prices.

Net profits fell by a quarter to

DMS20m (\$329.4m) from DM690m

last time and DM825m in 1988-89.
Turnover was unchanged at
DM36.6bn compared with
DM36.2bn in the previous

When grants

Norma Cohen on what is at stake

start to feel

threatened

in the row over 'polarisation'

o lose one member might be regarded as a misfor-tune; to lose two looks like

carelessness. Yesterday, the UK's Unit Trust Association lost its

second big insurer in two Manager in two Monday Prudential, the

UK's largest insurance company, left the association over the

group's public attack on the sales

day, Legal and General followed suit, and several others say they

dispute than a trade association

statement. This disagreement reveals an increasingly acrimoni-ous battle over the future of the

distribution system for notifinancial services. "The parties who controls the distribution

controls the business," says Mr
Taylor, managing
Sun Alliance Life

There is a lot at stake: for

years, UK households have

become used to buying investinsurance companies. Yet the

Insurers' traditional

insurance force is an increasingly ineffective tool. So the companies have rushed sign up the outlets — banks and building soci-

Was - will sell their prod-That is when the regulatory

with starts, with a rule known

as "polarisation". As part of the reform of UK financial man

in the 1980s, the regulators forced anyone engaged in marketing from insurance 3,000-branch

clearing bank - Choose invest-

products 🖬 all companies on an

In principle - but went on to

ask whether polarisation should all investment products

or simply to those whose lack of

Recently, in and

equal Man

has been expanding since a share

50 per cent of shares it is not already own in Sifit, a holding group it jointly with Ifil, which controls III Sangemini, Ferrarelle, Boario and Fabia mineral water brands. There connection with Perrier 111 BSN emphasised.

Peroni, which as Italy's largest brewer controls 40 per cent of the

Peroni to 24.5 per cent, with the

family. The French group already Europe's and largest beer group, through its owner-ship of the such as Kronenbourg Kanterbräu.

In addition, BSN to buy from
Ifil 10 per cent stakes in Star and

rest in hands of the Peroni

Starlux, the Italian and Spanish the French company's holding in
The remaining shares are held by H. Fossari

BSN's other main Italian interinclude Galbani, the leading cheese group jointly owned with Ifil, Panzani and Agnesi brands, the second largest suppliers with a 🖳 per 🗯 com-

bined market share.

Ifil, and a fine and largest shareholder in BSN, allh 5.7 per cent if the French group's if and capital will continue to saturate the French group on how medevelop its Italian food

reported a 19 per DM15.3bn.
The results better analysts in steel

Warburg buys back new BT shares

By Roland Rudd in London

SG WARBURG, the UK government's lead adviser in the M sale, has been buying back partly paid BT shares in stabilise price.

The partiy and fully paid in shares under pressure over past Yesterday, fully paid shares fell 2p to while partly paid by 1 ½p However, il notional

money - which into account it value paying new in installments - has increased from 20.5p

23.5p. SG Warburg has been stabilising the price of the partly paid shares, it

The government did want small to make a big profit, but in mot mot moderate profit wiped out. Retail investors paid 110p a paid by institutional investors. However, both groups

However, both groups already selling. According Mr
Heyworth, telecommunings, Stabilisation ends January 7.
Small today certificates, which could lead selling.
Government expected investors keep their until January 13, which the holders of partly paid dend.

dend.

However, analysts believed the shares were always going to fall. This was because the government had been seen to an "artificial by warning institutions they would not all they sold large applied if they sold large applied. This had the effect of pushing the share. ing the share resident 400p.
There are two main main rea-

sons why the institutions much for BT shares.
First, BT's will be scru-tinised in January

the industry regulator, publishes its consultative paper ject. BT has been mild in for making profits.

A recent Financial Times

afford to cut prices by Illiania a year and still make profits comparable will other companies

Second, while the opposition Labour party has abandoned plans renationalise BT, it tougher regulation. With Labour's policies are increas-

GEO

BSN to control Italian water brands

By William Dawkins in Paris

mineral industry.

The acquisition, from Ifil, an

exchange in 1987 with interests controlled by the Agnelli group,
powerful local partner.

the Agnellis launched a bid for the company that controls Perrier, the leading French mineral water group, and after Nestlé, the Swiss food multipational hought out the minor. tinational, bought out the minority shareholders in Societe Generale des Eaux Minerales de Vittel, another French brand.

BSN it was buy the

Declaring the satisfactory" announcing unchanged dividend, the could signs early upturn I markets, and growth was slowing ably in Germany. I steps would the satisfactory in the satisfactory and steps would be satisfactory.

n en operations, k

Turnover Thyssen Edelstahl,

some investment products, such as unit trusts, are to be freed

from polarisation rules, it will give them access to far wider channels of distribution than are available for other investment

products such as life assurance.

De-polarising unit trusts would allow the products of one pro-

vider to be sold even by an agent

tied to a competing provider.

Since don rules came into the came have the create that would

sell their products as On average, as much as 12 per life 1 1 1990

was sold through tied building society or bank agents, and that is rising rapidly.

broached by regulators in the

all around," says Mr Iden Sharp,

Association of British

Without polarisation, say

insurers, will mi

promote we company's products.

However, In UTA polarisation day, the UTA a Gallup

survey showing that 35 per cent of all salesmen failed to disclose

the nature of their relationship to

the product provider when they

sold a savings plan to the cus-tomer. And only a third of those

who did disclose their status pro-

vided the customer with a writ-

Recent data from the SIB show

that one quarter to one third of all investment products are can-celled within the first two years,

suggesting that far too many peo-

Sifit also owns 8.12 per cent III

Thyssen profits decline for third year

market.
This will lift Fall and in

14 per The pany said, however, the losses would not be as high as the predeficit of DM176m reported in

Paire his bles no discounts in negotiations co-operation special Krupp, and there have reports in Thysen plans to 12 months. About 10 per 100 the 15,000 jobs might in danger. Sales at Thyssen Stahl, the

business, DM10.4bn, but result by incluabsorbed by the group's acquisitions. In manufacturing me investment goods, sales rose ■ per cent ■ DM8.4bn. Thyssen Handelsunion, the trading and services arm,

market I Thyssen's role as Germany's leading steel facturer. Even expected in Frankfurt yesterday = close



Mike Newmarch, chief and Prudential, which in the Unit Trust Association the group's public at on the last tactics of life insurers.

ing Society, currently a tied agent for an Alliance, is all a

supporter.
Mr W. hall Fearnsides, managing director M Halifax Financial Services. While the happy with it E mark have the option of selling the unit frame of the promaking mown products, bly occurred III other building

Wirmson the regulatory structure, the competitive likely shift is advantage directly all

Insurers initially opposed polarisation when it was first mid-1980s, but now they have built big in the her networks, they wholeheartedly. "We polarisation we think helpful all around " see Mr. Sharp arguments. But if its DTA is right, there is illust point in sur-ing the state one distribution system or is is UTA's anticulated in the 510 in that something must be done are remunerated. Other juin the UTA in arguing the depolarisation. Halifax Buildknow whether they am receiving independent advice or the advice of a salesman whose job it is to

ple are being sold unsuitable products. The UTA argues that it is the commission system itself ularly banks and building societies. It the UTA row is an indication of the concern which it big insuris the commission system itself which encourages that. The insurers flatly deny these

Some ideas were never meant to fly.

the Toshiba GTO Thyristor meant to run. And run it does on many European railways. The GTO Thyristor is small, lightweight silicon wafer that has the huge task of converting energy efficiently - which it does - on the

TGV, the ICE and even the Transmanche super trains. It is just one way Toshiba semiconductor technology helping people keep their was on the right track. And not just as a flight of fancy.

> In Touch with Tomorrow TOSHIBA

Norwich Union cuts bonus by 9%

mutual insurance group, yester-day announced TI of about 9

hold.

Mr Hugh Scurfield, general

and actuary for that the decision had been made to take account of the fall in equities during 1990, and of Norwich Union's forecasts 🖼 🖼

The group predicts that inflation will remain at an average of together. Equities are still expected to produce a slightly higher yield than bonds - 8.0 per Fund managers have already

on these projections. The group's main with-profits fund now has 16 per cent holding of bonds having held none at all at the beginning II this year. Mr Philip Scott, the group's

the lower inflationary environmint That, we believe, If the

decade and that the yields on fundamental for the invest-bonds and equities will move industry." The find sum received policy maturing

ten regular monthly premiums would drop from £8,241 to £7,532. This is a cut of 9 per

Payouts us 10-year policies have not ham as ince 1984. all my equivalent policy would

payout would drop from il the beginning of this year, a the beginning of

HILE FUND

Companies in this issue

17 Lasmo

transparenty requires particu-larly careful selling. This seemingly minor change is in fact of great importance. If

NORWICH UNION, the UK

per in the payouts it makes policyholders. depending the type life contracts investors

Norwich Union h the first big life company 🔢 announce 🕮 bonuses for 1992 and can be expected to set a trend for other life offices when they announce bonuses in January.

next decade.

rather than all pur cent. In 1980s equities 115.0 per cent and bonds only 6.9 per cent.

senior investment manager, said these lower when had I reflected in bonuses paid to policyholders. The group was out-performing in rivals, but he said: "We out-perform in an industry where overall returns m come down

Endowments lasting 25 - mostly used in support mortgages - would continue to In from the strong gains in the 5 per cent. Using the assumptions as he final

stake in east German unit

By David Waller in Frankfurt

ALLIANZ, Europe's largest to buy the 49 per cent in Deutsche Versicherungs which it does not own from the Deutsche Trenhandanstalt – the insurance company, has agreed east German privatisation - for DM440m (\$278.4m).

monopoly is significantly higher than the DM270.7m Allianz paid for its original 51 per cent stake in June last year -and a lot higher than Allianz had said it wanted to pay in view of the east German opera-

on's heavy losses. Losses at the subsidiary will

LASMO, the UK oil exploration

company which has launched ■ £1.2bn (\$2.18bn) bid for fellow

oil and gas group Ultramar, could have tipped the balance to a closely run offer yesterday when it bought 3.55 per cent of Ultramar's shares.

The company bought the shares for yesterday lunchtime from several institutions and the shares of them,

leading analysts in suggest

Lasmo quietly succeeding in its bid.

However, Ultramar uggested property

by the exploration

which is allowed in buy 💷 📆

I pur mini of the shares before

By Robert Taylor in Stockholm

SVENSKA Cellulosa Aktiebolaget (SCA), one of Sweden's leading forestry com-panies, is shedding an extra 1,200 jobs from its 33,000-strong payroll cutting profits forecast for this year.

forecasting drop of per cent from SKr2.lbn (US\$364m) achieved

im offer closes today. The results takeover offer, will be revealed

mean that this year the Allianz group will report its first defi-DM1.8bn a is not ted to break even until 1995-96, having made cumulative losses The price to be paid in the stake in what used to be the east German state insurance

aving made cumulative loss in excess of DM1bn by then.

It is estimated that Deutsch Versicherungs loses DM30 for It is estimated that Deutsche Versicherungs loses DM30 for every DM100 it earns in pre-

mium income. Allianz did not comment on the price yesterday, but analysts said it had been obliged to pay a "political premium," given that the sale of the monopoly to Allianz highly controversial in the first

Lasmo raises Ultramar stake

likely to be extremely after a battle that literated won by either side.

Lasmo has offered one-for-

one share exchange plus 40p which, at current prices, values Ultramar at 294p, or 23 Lasmo shares for 20 Ultramar

Ultramar has mounted

spirited defence which included resignation three senior resignation announcement of the sale of some £350m of its assets in a

bid to reduce gearing below 50

per cent.
Lasmo has stressed the confused strategy on the part of Ultramar. But its own plans in unlocking shareholder value

by selling off Ultramar's North

American oil refineries has been called the question shareholders

was only in September

intended to shed 3,500 jobs -nearly 12 per cent of its work-

SCA to shed 1,200 further jobs

place and the prices obtained by the Treuhand are widely scrutinised in Germany. Allianz has long made clear it wanted to buy the remaining

Analysts added that Allianz had little room for expansion in western Germany and so had been willing to pay a high price in the hope of long-term growth; premium income in the east is expected to rise to DM3bn-DM3.5bn by 1995-96.

The Treuhand said yesterday that as part of the deal 25 per cent of the shares in Deutsche Versicherungs will be listed in future. The deal is subject to the approval of the German

doubts about Im market for

Lasmo said it received inter-

from "eight 10" possible purchasers, but

declined to specify any further.
"If the bid fails, it will not be

seen as a vote of confidence in

Ultramar's record, or its

promises for the future, but as

unwillingness am share-hil to accept largely paper offer," said an analyst at County NatWest. Both companies' share prices drifted downwards

the bid was announced, in line with a \$4 decline in the price of

In addition, the lack of a firm cash offer to counter Las-

mo's paper bid has undermined confidence in asset valuations for the oil exploration and pro-

SCA mieste in allocate in

SKr500m actioned in marine savings to its cover the expected costs of its expanded pro-

The group's moves follow similar measures taken by III

Swedish rivals Stora and MoDo the end of Man

administrative expenses rose to \$522.5m from \$430.2m. The weak results come at a nervous about the prospect of and heavily-discounted Christmas sales. Earlier this month, Macy's bankers, led by Manufacturers Hanover and Bankers Trust,

\$155.4m

By Karen Zagor

in quarter

R.H. MACY, the New York-based department store chain, yesterday said it had extended its first-quarter net

loss to \$155.4m from a deficit

of \$56.5m a year ago. Excluding income tax bene-

fit and extraordinary gains in the 1990 first quarter, Macy suffered a \$99.2m loss last year. Retail sales in the latest

quarter rose to \$1.6bn from \$1.55bn. Selling, general and

agreed to amend covenants of a \$587.7m revolving credit facility. Macy's problems stem partly from the depressed economy and from the debt burden fol-

lowing a management-led buy-out in 1986. Macy's said: "With one week until Christmas, our ear-

lier expectations that this would not be particularly robust holiday robust holiday man h proving out. Nonetheless, believe continue to gain market share, and market share, and market share, and market bears. agreement provide with mecessary flexibility growing our business."

Dasa expects return to profit

DEUTSCHE Aerospace (Dasa), the aerospace unit of German industrial group Daimler Benz, it expected double-digit group earnings this year after in 1990, Reuter reports

Mr Juergen Schrempp, management board chairman, had the swing into profit mainly due to a large profit from its Deutsche Airbus unit. Airbus lost over DM100m int year because of losses. He said losses also expected the parent company to remain profitable this year.

Allianz to buy remaining | Macy losses | La Cinq losses to deepen amid staff cuts | Stake in cost Cormon unit | Stretch to | Stretch to

LA CINQ, the ailing French French government's televi- Robert Hersant, the right wing announced it had abandoned announced it was shedding 292 staff, just half its workforce, in an emergency costsion de-regulation drive. Hachette, which has run La Cing since buying a significant

cutting package.

The station, which is run by Hachette, the heavily-indebted French media group, also disclosed that it was on course for operating losses of FFr1.12bn (\$207m) this year, higher than the worst expectations.

La Cinq's future has for some months been clouded by uncertainty. The station, despite being best known in France for its late night por-nography, has been trying to establish itself as a mainstream channel in direct com-petition with TF1, the most powerful French channel, since its launch in 1986 as part of the

stake last year, announced last week that it was searching for new investors to provide additional capital. La Cinq has already gone through a number of changes

of ownership in its short life. Originally it was run by Mr Silvio Berlusconi, the Italian media magnate who still has 25 per cent of the equity, and Mr Jerome Seydoux, head of Char-geurs, the French industrial group and a close associate of Mr François Mitterrand, the socialist president

Mr Seydoux was dislodged in the following year when Mr Jacques Chirac's conservative the following year when Mr Jacques Chirac's conservative government brought in Mr French media group, yesterday

newspaper proprietor. Mr Seysevered his connection with La Cinq when Bachette stepped in last year Bachette then appointed Mr Yves Sabouret, its vice-president, as director-general.

Mr Sabouret cut costs at the station but failed to get to. grips with its financial problems. La Cinq's share of the French television audience is believed to have fallen to 11 per cent in the first half of this year from 12.5 per cent in 1990, at a time when TF1, its arch-rival, raised its share to 44 per cent. This has created a vicious cycle whereby it is even more difficult for La Cinq

Mr Pierre Dauzier, president of Havas, which owns 25 per cent of Canal Plus, said on French radio that the two companies had decided to "close the dossier for the moment", but the idea of a merger was still "interesting" as it offered

an opportunity to create an international media group. • Group net profit at Canal Plus is likely to rise by about 10 per cent 1992, which is what it had forecast, said Mr Andre Rousselet, chairman, Reuters reports. He said Canal Plus was on track to meet its 1991 profit forecast of FFr1.05bn.

gentina coi

Eupsets M

plans for a merger with Canal Plus, the successful pay TV

station, because of the unsta-ble state of the financial mar-

German groups in tubing pact

By Christopher Parkes

HOESCH and Mannesmann. two of Germany's leading steel and engineering concerns, un-to join forces in the manufacture and marketing of precision tubes and pipelines.

They will each take a 50 per cent stake in a new company

cent stake in mew company precision tube activities of both Mannesmann specialises in products and Boesch in welded

precision tube. joint the decision up had been taken against the background of sharpening international competition and

European market. The new IIII in Hamm, near Dortmund, will employ 4,500. It will also absorb Hambar production facilities and workforce in Hamm, currently employed in making welded pipeline

Hoesch's pipeline output will marketed jointly with similar products by

Mannesmann.
The deal, which has yet to be approved by the cartel authorities, marks another the process of knitting together Germany's heavy industrial core, which is feeling competitors

and poor market conditions. In their 1990 annual reports, Hoesch Mannesmann complained of low demand for pipelines and other tube products from east European Middle Eastern oil producing countries. Mannesmann's tube sales fell 12 per cent in the year.
Overall group turnover in

current year, Mected by turnoil in Maria and central Europe III recession elsewhere, III down per

First-half profits at Hoesch which is resisting a merger bid-from Krupp, tumbled from DM412m to DM140m.

Rémy Cointreau merger approved

By Alice Rawsthorn

the French drinks groups, have secured shareholders' approval for their proposed merger to create Rémy Cointreau. Rémy Cointreau, which will

control of French drinks including the Krug Piper Heidsleck champagnes as well as Remy Martin cognac and Cointreau liqueur, will be one of the largest players in the French drinks industry. Its formation follows a number of other and alliances within the international drinks trade.

Rémy Cointreau's shares

listed on the Paris bourse on December 24 and on the Frankfurt Stock Exchange on Decem-

that its combined turnover for the financial year to 31 would have been FFr6.5bn (\$1.2m), with group profits of FFr214m. It has 11 that dividend should show an increase this year over the dividend paid by Rémy & Associés

The group said yesterday that the merger would not mark a change of strategy. It does, however, plan to consolidate its champagne businesses, including Krug, within Piper Heidsieck, which is quoted on

Kolbenschmidt to cut payout as profits slide

LEENSCHMIDT, the quoted motor components subsidiary of Metaligesellschaft, the Ger-man engineering group, will have to reduce its dividend after a slide in profits for the financial year to September 30. It has already cut its German workforce, with further reductions on the writes Andrew Fisher in Frankfurt. Group pre-tax profits were down to DM200,000 (\$125) from DM72.5m, mainly due to losses in the US and restructuring costs of acquisitions

there.
The company also made losses in France, Spain, and Italy. In Germany, it benefited from the strong demand for cars following unification, but said domestic profits had been harmed by high wage settle-ments at a time of stagnating

ments at a time of stagnature prices.

Kolbenschmidt did not say by mem much the dividend would be cut from the previous DM3 a share. Parent company profits, which do not include foreign business, were down to DM33.5m from DM56m before tax. Group turnover was flat at DM1.4bn. Without acquisitions, however there was an 8 per however, there was an 8 per cent drop.

The parent group has posted

a 35 per cent drop in pre-tax profits to DM31am due to lower metal prices, the worsening of the car market and the weaker

J.P. Morgan & Co. Incorporated

is pleased to musuum the appointment of J.P. Morgan & Cie S.A. as n

Spécialiste en Valeurs du secteur Public

by the following agencies Crédit Foncier de France Crédit Local de France Electricité de France

Société Nationale des Chemins de fer Français

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Reuters MGPF/MGPG Telerate 20119 20120 Knight-Ridder 2227 2228

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All of these securities having been sold, this announcement appears as a matter of record only.

\$500,000,000

GPA DELAWARE INC.

83/4% Guaranteed Notes due December 15, 1998

Payment if the Principal if and Interest in the Notes in Guaranteed by

GPA GROUP plc

Merrill Lynch & Co.

Goldman, Sachs & Co.

Salomon Brothers Inc

Dillon, Read & Co. Inc.

Wertheim Schroder & Co.

Iloiding N.V. FRF 400,800,000

The Cortyon Arount shall be FRP 244,50 for each Note of FRP 10.000 possional successful of FRP 2,445 for each Note of FRP 10.000 possional arounts.

The Interest Payment Date with Respect to such Cotyon Amount shall be 16 March 1992.

LISTED ON THE PARIS AND EXEMBOURG STOCK EXCHANGES BY: BANQUE INDOSUEZ, Agont Bank Notice of interest Rate To the Holders of

The United Mexican States Collateralized Floating Rate Bonds Due 2019

NOTICE - HEREBY GIVEN that the interest rate covering the interest period from December 16, set to June 16, 1992 is detailed below:

DMK52.74 Per DMK1,000

CITIBANK, N.A., Agent

December 18, 1991

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5 WEDVESDAY DECEMBER 18 16

By Nikki Talt in New York

By Nikki Talt in New York

By Nikki Talt in New York

PROFITS at Great Atlantic

Pacific Tea Company, bett

known as the A&P superms

ket chain, slumped in ju PROFITS at Great Atlantic &

because of the floaties of a management of the floaties of the ket chain, slumped 🔳 just \$3.92m after tax in the three months to end-November. This compares with the \$32m which A&P, the fourth largest supermarket group in the US encompassing 1,251 outlets, made in the same period a year ago. The company, 53 per cent-owned by Germany's Tengelmann Group, and which still holds a stake in Britain's Isosceles group, has now registered net profits of only \$54.6m in the first three quarters of its financial year, against \$119.4m

last time.

The third-quarter figures England, the mid-Atlantic such Ontario, metropolitan were substantially worse than states (including New York), Me York, and Michigan. Mr Pacific Tea Company, better were substantially worse than known as the A&P supermaranalysts had predicted — one circular, issued at the end of October, suggested net profits of around \$14m - and trading in A&P's shares was delayed briefly by an order imbalance. By mid-morning in New York, the price had fallen by another

criticism recently for the tim-ing of latest acquisitions. It spent C\$270m buy-ing Whitacle Food \$1% to \$26%. This is less than half the 52-week high of \$57%. Mr Jim Wood, A&P chair-man, blamed the results on in Ontario in October 1990, only to run into adverse tax and trading law changes as A&P's "unique geography" and "the costs associated with absorbing major acquisitions A&P said yesterday that it had increasing promotduring an extended economic ional spending in an effort to downturn". About 80 per cent lift sales and cling on to mar-ket share leadership in areas

INTL. COMPANIES AND CAPITAL MARKETS

Wood claimed that these objecthe mid-West T Canada. Some of these areas have the partictives "have been work ularly badly affected by the US plished." Analysts in New York that they believed A&P seen However, A&P has "sharply deteriorating" same-store sales - pundit ■ 6 per mai decline in ille later quarter - and decided in fight back, at cost to its bottom

months totalled \$2.61bn, unchanged from a year Operating profits, however, from \$24.8m, while interest the slightly. from \$19.8m to \$18.2m.

Argentina completes first privatisation

Kolbenschm By Markam in Buenos Aires

to cut payou as profits s ARGENTINA — successfully completed in first privatisation. The government has raised \$848.7m with the flotation of its 30 per cent stake in leade Argentina, one of local demand in what was MIDT then mischaft the mischaft the illi country's mi telephone networks.

The sale now helps clear the way by big privatisation expected in the in luncer in 1992.

in March, the government plans its remaining cent its remaining Telecom Argentina, in country's ond telephone company, to be

of A&P's stores are in New

the shares were heavily oversubscribed due to strong local demand in what was Argentina's largest-ever share The bidding system used to

award the shares meant that \$1.3bn worth of bids, or 60 per cent of the total, were rejected because they failed to attain the 24 cents-per-share price established in the auction weaker than expected because

But the flotation was marred by com organisation, bickering ong the underwriters, and by government indecision and inexperience.

Some foreign bankers com-plained that chaos in Buenos Aires poor potential they will repeating mistakes future flota-

investors fell prices hank, and "There will be plenty of demand for shares in privatised companies. Invesgrowth possibilities of telecommunications in Argentina and by improving in-

Telefonica officials say they expect earnings to rise by an average of 15 per cent a year for the next five years. Bankers forecast Telefonica's profit
and compared with
\$117m for 11 months
September

TSE upsets Mitsubishi Oil plan There spec

By Robert Thomson in Tokyo

PLAN by Mitsubishi Oil, the oil refiner, bring struggling oil refiner, Fuji Kosan, into Mitsubishi family companies clouded yesterday by a Tokyo Stock Exchange (TSE) investinto trading of Fuji Kosan shares.

Mitsubishi Oil announced

yesterday II would a a stake 8 per in Fuji acqui-worth Y3bn, and that della compawill jointly whatile new Refinery Corporation, ur manage the refining assets of a Fuji affiliate.

However, the Tokyo exchange said that it would investigate trading of Fujl Kosan's shares over the past week for evidence of unfair trading. The trading of Fuji Kosan shares jumped sharply after December 10, with vol-

U.S. DOLLAR STRAIGHTS

ume 15 times higher than in previous weeks, while the alling company's share price rose from Y450 on December 8 to Y610 at Monday's close.

Fuji Kosan, which reported a pre-tax loss of Y765m (\$5.9m) last year and has forecast a loss of Y10n this year, is listed on the first section of the Tokyo exchange and deals Tokyo exchange and deals mainly in lubricant ingredi-ents, fuel oil and asphalt. The company has been crippled by a debt of Y100bn and it is understood that about Y35bn

will be written off by Japanese banks as part of the rehabilita-The plan also includes the appointment of a Mitsubishi executive as president of Fuji

Kosan.
Ties between the two companies strengthened in 1989,
when Mitsubishi Oil consigned oil refining work to Fuji Kosan, and the two have since

discussed the purchase of the troubled refiner's assets with the aim of reducing its debt and bringing it back to profit-

ability.
Mitsubishi Oil said that the agreement with Fuji Kosan and the establishment of the joint venture company will mean the "more efficient use" of its facilities, particularly a refinery in the west of Japan. The company said that further joint ventures will be considered with Fuji Kosan, which has been in difficulties since

the late 1970s. The deal highlights the close relationship between Japanese companies and their lead banks, which are reluctant to allow an important client to fail. It also reflects the ability of powerful companies, such as Mitsubishi Oil, to expand greatly their influence by tak-ing a relatively small stake in a targeted company.

FT/AIBD INTERNATIONAL BOND SERVICE Latest prices at 6:10 pm on December 17

Listed are the latest international bonds for which there is an adequate excondary market.

ALBERTA PROVINCE 9 3/8 95 AHSTRIA 8 1/2 00
BANK OF TOKYO 8 3/8 %
BALLELIM 9 5/8 %
BFCE 7 3/4 97
BY 85/8 94
SYRTISH CAS 8 3/8 99
CAROD 9 1/4 98
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SINC 9 1/2 96
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STATE BLK NSW 8 1/2 96
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TOKYO BETROPOLES 8 1/4 96
WORLD BANK 8 3/8 99
WERDA KORN 8 3/8 97
XEROX CORPN 8 3/8 96 98.89 99.90 99.80 90 90.80 90. E.com 10.6425 6.4873 9.5004 4.9175 5.5625 10.1563 5.5435 5.5435 6.0625 10.5450 6.3750 6.3750 5.2500 5.0000 DEUTSCHE MARK STRAIGHTS
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BBT JANNA 1/10 96 £
CXCE 06 ECI
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CREDIT FONCER-1/16 98
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FERRO DEL STAT 96
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YEN STRAIGHTS
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CREDIT FORCIES 5 1/4 94
DEMARK 7 95
EIB 4 5/8 94
FIR AND 6 3/4 95
FIR AND 6 3/4 95
MITER AMER PEV 7 1/4 90
KARSAI ELEC PWR 4 5/8 94
MISPON TEL & TEL 5 7/8 96
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PLDATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread "Margin above six-mont ordered rate (three-month febove mean rate) for US dollars. Copn The current coupon.

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Federal **Express falls** to \$26.5m in second term

By Nikki Talt

rounded US delivery service, still stung by from international operations, has reported a fall in second-quarter profits to \$26.5m after tax. This compares with a profit of \$27.5m

in the same September to November period last year.
Federal Express said that revenues were down by around 2 per cent at \$1.94bm.
However, it pointed out that last year's figures included revenues from its non-express package business in the UK which was pruned in the third quarter of 1990-1991 - and "significantly more" charter business as a result of the Des-Shield operation in

At the operating level, profwhile entire per share were III per cent Line cents.

Part of Federal Express's problems stem from in inter-national business. This made an operating of \$84.5m in second quarter, on revenues of \$651.6m, compared with a deficit of \$54.7m on also of \$719.9m a year ago. This autumn, the company announced an agreement in principle sell large part its UK operations back Littlewoods, the privately-owned UK Rowever, Mr Fred Smith, chief executive, III blamed the "continuing impact of a stagnant economy". He said

stagnant economy". He said that the lengthy US recession price-conscious in all its markets, putting an in on profit margins. Federal kxpress added, however that international priority and in international express freight poundages were both up by

more than 30 per The company also from Internal Revenue Service, as a result of an IRS audit of certain tax returns made between 1983 and 1987. Federal Express claims that the calculation is incorrect. and plans to contest the mat-

Its shares fell \$% to \$33 on

Omron buys German stake

By Stefan Wagstyl in Tokyo

control components for machine and other industrial plant, yesterday announced the acquisition 95 cent Schoenbuch Electronics Hanesch, a privately-owned German maker 🔳

sensors and switches.

The deal highlights are continuing interest of Japanese companies in establishing and expanding their presence in Europe in advance of the changes within the European Community in 1992. Omron's European operations are based in the Netherlands, where the company first set up an office

in 1974. Omron sald it was buying Schoenbuch to strengthen its European sales organisation, particularly in Germany. The purchase price was not dis-

Schoenbuch 🔳 a mediumsized maker of sensors founded in 1975 and employing 85 people.

Mabon Securities Corp.

thanks the presenting companies at its

SIXTH ANNUAL RESEARCH CONFERENCE

December and 4, 1991

Beneficial AST A&W Brands Arvin Industries Bankers Trust Advanta Chemical Management Chiquita Brands International BMC Software Cadence Design Systems Computer Immunity Countrywide Credit Industries Cygnus Therapeutic Systems **Dreco Energy Services** Enterra Freeport-McMoran Resource Partners Global Marine Green Tree Acceptance Imcera Group IMC Fertilizer Group International Technology Legent Marion Merrell Dow Mattel Keystone International Laser Recording Systems **NCNB** Mellon Rank Micro Focus Group McCormick & Company MicroAge Panhandle Eastern Parametric Technology Questar Noven Planus - Inch Rollins Environmental Services Safety-Kleen Service Merchandise Reading Bates Loan Marketing Association Slerra On-Line Tankers Terminals Williams Energy Upjohn U.S. Bank of Oregon Tenneco

> **MABON SECURITIES CORP.** Members New York Stock Exchange, Inc. [IMI]

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable excurring the Securities Act of 1933. These securities have been previously sold.



Transportación Marítima Mexicana, S.A. de C.V.

7,033,096 American Depositary **Each Representing** One Share of Series L Common Shock

Price US \$4.55 Per ADS

Bear, Steams A Co. Inc.

Bear, Stearns International Limited

Finanshuset ***

international, Inc.

Inverlat International Inc.

Capital Markets Group

Chase Investment Bank Limited



Mitsubishi Trust Australia Limited

U.S. \$50,000,000

Variable Rate Guaranteed Notes due 2000 Unconditionally and irrevocably guaranteed

The Mitsubishi Trust and Banking Corporation

In accordance with the provisions Notes, notice is hereby given the first of Interest for month period ending 15th June, 1992 has been 4.95% per The accruing for such month period will be U.S. \$2,502.50 per U.S. \$100,000 Note, on 15th June, Wagainst presentation

Union Bank of Switzerland London Branch Agent Bank

12th December, 1991





Mortgage Funding Corporation No.5 PLC (Incorporated ■ England and Wales with limited liability under registered number 2079671)

A-1 £110,000,000 Class A-3 £17,500,000

Class A Multi-Class VIII Backed Floating Notes due November, 2035

A-2 £ 80,000,000 L £18,500,000 For the interest period 12th December, 1991 to 28th February, 1992 the Class A-1 will bear interest = 11.0625% per annum.
Interest payable on February, will amount to £2.357.58 per E100,000 Note. The Class A-2 Notes will bear 11.2375% per arnum. Interest payable February, 1992 will amount £2,394.88 per £100,000 Note. The Class A-3 Notes will bear interest for the Class A-3 Notes will be a fine for the Clas at 11.3875% per annum. Interest payable = 28th February, 1992 will amount to £2,426.84 per £100,000 Note. The Messanine Notes will bear interest at 11.7875% per annum. Interest payable on 28th February, 1992 will amount # £2,512.09 per £100,000 Note.

Bankers Trust Company, London

Agent Bank

(Luxembourg) S.A. 50,000,000 Floating Rate Guaranteed Notes Due 2000 with Fixed Rate Option

Yasuda Trust and Banking

Guaranteed by
The Taxa Trust and Banking Company, Limited

In accordance with the provisions of IIII Notes. is hereby given 📖 🖼 📖 of for interest period 18th December 1991 m June 🜃 has been 📖 🗷 4.9625% p.a. The coupon amount payable == 18th June 1992 빼 be LTM 126-13 per USS NAME NAME

The Yasuda Trust and Company, Led.
Agent Bank

HMC MORTGAGE ASSETS Class B
Mortgege Backed Floating Rate
Notes due March 2021
For the Interest Period from
December 18, 1991 to March 18,
1992 the Note Rate has been determined at 11.5875% per annum. The
therest payable on the relevant interest payment date, March 15,
1982 will be 12,881.05 per \$100,000
nominal amount.

1992 Will be constituted a second and second



Leeds Permanent Building Society

Floating Rate Notes Due 1998

NYWKAIII PANII Period

10.8125% per annum Interest Amount

per £10,000 Man Credit Spisse I'm Boston Limited

U.S. \$150,000,000



Formosa Plastics Corporation, U.S.A.

Floating III III III due 1999

In accordance with the provisions III the Notes, notice is hereby given that for the six month Period from December 18, 1991 to June 15, 1992 and Male will carry an Mare 15. payment June 15, will be U.S. \$15,156.25 U.S. \$500,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank December 18, 1991



£200,000,000 MFC Finance No.1 PLC

Mortgage Backed Floating Rate Due 2023
In accordance with the Terms and Notes,
In the hereby given that I new and periods in of the subject Notes are as follows: Payment Date | Sile 7. January 92 | 11 0281 | Sees D | 11 December 91 to 10. January 92 | 11 0281 | Sees D | 11 December 91 to 10. January 92 | 11 0282 | Sees D | 12 December 91 to 10. January 92 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282 | 11 0282

By: Citibank, N.A. (CSSI Dept.) December 18, 1991

CITIBANK

Treasuries rise on hopes of imminent interest rate cut

By Patrick Harverson in New York and Sara Webb in London

tracts.

US TREASURY prices firmed at the short end of the market yesterday morning after news of a decline in housing starts buoyed already high hopes of an imminent interest

III midday, the benchmark

GOVERNMENT BONDS

30-year government bond was down 102%, yielding 7.756 per cent. The two-year note, however, was up 1 at 100%, yielding 5.005 per cent.

The opened firmer in anticipation that the Federal Reserve's Open Com-mittee, which met yesterday, would a ln the discount rule from LE par to I per cent, and perhaps a cut in the Fel funds rule from III per cent to 4.25 per cent. These hopes, aided by news of 2.1 per drop in November housing starts, behind buying a short-dated securi-

after He Fed initiated overnight matched sales in the Fed funds market, a clear sign that it was not easing. Although
it is plenty for
the its
not warmly greeted by

■ GERMAN government made strong gains yesterday, with the futures mark ing its highest level for II. year. market
by strong
D-Mark, lower-than-expected producer prices figures and the announcement that there would not be a further bund The March Liffe bund Prioss: Us, UK in 32nds., others in

futures contract, which opened 86.77, broke through the important technical resistance level 86.80 and traded up to 87.04 on volume 45,302

The German Finance Ministry said that the German ernment's traditional year-end bond, known as the "Sylvester-anleihe", will be in Jan-instead of the end of 1991. bund market also supported by the release of lower-than-expected German producer prices for November. Producer prices in former Germany fell 0.1 per cent in November from October M stand 2.5 per cent above their level in November

■ UK government bonds slipped on the day as the weaker pound of a fall in the price that sterling cut in taking place Among short-dated

gilts, the Treasury 10 per cent 1996 ended at 101%, down a to yield 9.69 per cent. Although traders reported some buying interest in medium-dated and long-dated issues, the benchmark 11% per cent gilt due slipped from its opening of 114% to 114% to yield 9.54

Gilts traders said the would be focusing un the release tomorrow of unemploy-ment figures for November and average earnings for October.

■ JAPANESE government bonds ended alightly lower on profit-taking, but sentiment remained bullish on hopes of an easing in US inter-

The yield on the benchmark No. 129 opened at 5.595 per cent and closed at 5.615 per cent. Traders said short-term interest rates remained steady with the three-month Certificate of Deposit rate at 6.06 per cent and the unsecured call money rate at 64 per cent

	Coupan	Red Dete	Price	Change	Yield	Week sgo	Michigan
ALIMENT	12.000	11/01	114,6347	-0.015	9.67	9.70	9.8
BELGIUM	9.000	08/01	99.9000	+0.250	EL00	9.12	9.0
MAC .	8.500	04/02		-74	100	1.1	8.4
	9.000	110	101,1700	200	A.C.	8.97	14
FRANCE BYAN GAT	8.500	щ.	4	Mar	8.03	4	41
-11	6.25	09/01	100.5500	+0.320	8.18	44	8.2
ITALY	12,000	06/01	3700	+0.270	12.48	10.00	12.4
No 119	4.800	100	2.11		10	5.94	5.8
NETHERLANDS	8.500	03/01	98.8700	+0.080	8.67	8.78	8.7
SPAIN	11.900	07/95	100.5000	+0.100	11,60	11.79	11,8
LIK GILTS	10.000 10.000 8.000		101-04 102-18 97-02	-06/32	10	2	100
IN CHILDREN !	7.500 8.000	11/01	14-	12.5	7.17 7.78	7.19 7.78	13

JSDA, TSE to revise share auction system

Tokyo Exchange plan II the auction system for companies offering share to Reuter reports from Tokyo.

The revisions are letting more investors buy newly-offered shares at the pre-listing auction, and making the

70 Other Financial (16). 71 Investment Trusts (69) ...

FT-SE 100 SHARE INDEXA

per cent of a company's shares to be off and to the public would be sold all auction before

THE Japan Securities Dealers
Association (JSDA) and the Tokyo Exchange plan to revised rules, at the second prices of other similar companies. The second prices of other similar companies. The second prices of other similar companies. remaining the public, based on an average would be sold a suction before
listing on the listing on the listing on the suchanges, against and 50 per cent now.

Currently, it reference price for company's shares at below the reference price.

Japan gives warning to leading banks

By Robert Thomson in Tokyo

JAPAN'S Pair Trade Commission (FTC) instructed seven leading banks that they must not collaborate on commission handling corporate bond leads

The anti-monopoly body. which has under US pres-sure to making I Japanese firmilal system more transparent, warned the seven banks that they should neither formally nor informally agree on a set schedule of trustee commissions among

themselves.

The examining a lift in charges in the spring of 1989 and another earlier this year for evidence that was collusion

As a result, the salvised that the hand information about hond issues.

The fixing of in anti-monopoly laws, and instructed that the banks review the conduct of joint nectings of their

duct of joint meetings of their

officials.

The seven banks are Dai-Ichi
Kangyo, Milin Taiyo Kobe,
Mitsubishi, Sumitomo, Fuji,
Industrial
Bank of Japan. An official at
the Feduration of Management
Associations said memberbanks would the Professional States and review PTC's intraction and review the flow of information among

Underwriters for GIO flotation named

THE New Wales The government has an arrival the three underwriters for the A\$1.75bn (US\$1.35bn) flotation mrly next year of its Govern-

ment in Sydney.

If Nick Urdiar, NSW premier, said Bain and Co, owned by the stacks Bank, County and Warburg The GIO Described a expec-tion of the insurance sector

Japanese exchanges tighten rules

By Emike Terazono in Tokyo

deposit requirements.

The decision is the latest attempt by Japanese authorities to curb the surge in and options trading. Japanese listering have turned to the decima ave markets from the shiggish cash suck markets, and for the first 11 months of this year volume in the Nikkei stock futures market soared wi Y499,400hn (\$3,889bn), five times that of the cash stock market.

The line in margin deposits for derivatives trading the third this year, follows volatile stock movements during the past few weeks ahead of last Friday's futures expiration. Japanese authorities have become increasingly nervous over large volumes in futures and options in a ing "confusing" the cash stock market, which has been unable to recover from last year's plunge and the spate of stock scandals.

Some traders also point out that the tightening of rules also reflects domestic brokers' displeasure over the foreign secu-

JAPAN'S three leading exchanges announced yesterday they will tighten restrictions on stock index futures and options trading by increasing margin deposit requirements.

The decision is the latest attempt by Increase authorities to such the surge in Mr Minoru Nagaoka president of the

Mr Minoru Nagaoka, president of the Tokyo Stock Exchange, yesterday blamed the in the in cash stock prices on arbitrage-related trading between futures and cash stocks. Mr Nagaoka said the volatile market was discouraging par-ticipation by individual investors in the market and stressed the need to review although he said they had no detailed

The stock exchanges' decision is likely to prompt criticism from the foreign broto prompt criticism from the foreign oro-kerage community, as most houses rely heavily on profits from derivatives trad-ing. Mr Craig Chudler, equities analyst at UBS Phillips & Drew, said investors were turning to futures trading due to the low commissions. "Raising the cost of futures trading will not provide an incentive for investors to return to the each markets." investors to return to the cash markets,"

he added.
The Tokyo and Osaka stock exchanges

(TSE and OSE) raised margin deposits for stock index futures from 25 per cent to 30 stock index futures from 25 per cent to 30 per cent, including a 13 per cent cash deposit, as of today. Margin deposits put up by brokers to the exchanges were increased to 25 per cent from 20 per cent, including 10 per cent in cash.

The TSE, OSE and Nagoya Stock Exchange also announced that margin deposits on options trading will be raised to 30 per cent from 25 per cent. Brokers

to 30 per cent from 25 per cent. Brokers will be required to deposit at least 25 per cent of the value of the options contract,

instead of 20 per cent.
The TSE and OSE will also narrow the minimum allowable price movement range for stock-index futures during the last 10 minutes of daily trading. The OSE will reduce the minimum price movement for the Nikkei 225 futures from 30 points to 20 points, while the TSE will cut the range on Topix futures to two points from three.
The TSE will also disclose arbitrage cash stock holdings against separate futures contracts and daily trading volume by arbitrageurs starting on December 20. The TSE releases arbitrage positions against the nearest futures contract and the names of active arbitrageurs once a week.

Sweden to scrap

share ownership

MS ANNE WIBBLE, Swedish

MS ANNE WIRBLE, Swedish finance minister, said Sweden will scrap the system under which a majority of shares in Swedish companies are harred from foreign ownership by 1993, Reuter reports.

"The system with restricted shares will disappear. When this will happen exactly I can't say. But it will happen before the EC demands it," Ms wibble said. Asked if this meant the system would be scrapped by

sain. Asked if this meant the system would be scrapped by 1998, Ms Wibble said "yes".

Sweden applied on July 1 to join the European Community, and hopes to become a member by 1995. European integration and its free capital movements is seen as incommentally with

is seen as incompatible with the system of restricted shares. It is not clear if the free

restrictions

European Community invites bids for Ecu250m six-year deal

NEW activity in Land although the European

although the European Community invited bids from leading for its anticipated Ecu250m six-year deal, suggesting the least today.

Another EC borrowing entity, the European Coal Steel Community, yesterday for the second time its five-year D-Mark bond issue, which was launched earlier this month.

The deal, lead-managed by Dresdner Bank, was 10M700m from DM560m, buoyed by strong demand from

buoyed by strong demand from Italian investors.

Coupon ments on bond issued by supranational agencies of which Italy is a member are exempt withholding tax.

Proposals to the supranational agencies of which Italy is a member are exempt withholding tax.

the tax concession were included in this year's half-budget, although they now be dropped.

For investors and Italy bonds are law attractive, with the paper priced to yield eight basis points less than

government bonds, although manager reported buying from German and Swiss retail

The ECSC also raised Distribution of bonds

INTERNATIONAL BONDS

of the UK international, the UK publishing company, has of 12-year debt in the US market under reference

144A. writes Tracy Corrigan.
The rule, was introduced by the Securities and Exchange Commission about years ago, allows foreign companies to tradeable in the U market "It must registering with the Surveition and Exchange Commission, but so far this channel has been little the market combines market and its public dibt market and its private placement market, which is not actively main!.
The issue was re-offered to

investors at a yield 120 basis points 10-year Treasury securities, which represents, according to lead-manager Morgan Stanley, a saving of 10 15 15 15 points 1 the borrower compared with the traditional private placement

public at lact would public market bottom to the borrower would have had to meet stringent SEC registration and disclosure requirements in order to tap the public market.

The 144A route also allowed the borrower to reise long-term without financial covenants. were compiled by Morgan Stanley, only \$1.6bn iff publicly-traded income offerings have been

and the European Free Trade
Association, of which Sweden
is a member, would require the
scrapping of restricted shares,
but Ms Wibble said there was
no reason to wait. The EC-Eita is due to take effect in 1993.

next month will allow for Swedish companies to the shares ment permission.

LONDON MARKET STATISTICS

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FT-A	CTU/	ARIE	S SH	ARE	INC	CE	5						RIS	ES	AN	D FA	LLS	YI
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in conjunction with the	Ineti	tute a	f Actu	arles :	and th	ne Fac	culty o	f Actu	urles			F XCG	(III ET E	J				
EQUITY GROUPS	1	luesday	y Deca	nber 1	7 199	1	Mon Dec 16	Fri Dec 13	Thu Dec 12	Year ago (approx)	Finan Cil III	icial &	Propt	rty		**************************************		
& SUB-SECTIONS			Est.	Gross	Est.		- 10	-	12	capproin	Mine	5		*******			20****	
ares in number of stocks section	index No.	Day's Change	Earnings Yield% (Max.)	Div. Yiskina (Att at (25%)	P/E Ratio (Net)	nd adj. 1991 to date	index No.	index No.	Hedes No.	Index No.						> 101> 101> 107		_
CAPITAL 60005 (180) Building Manager 180	732.77 864.28	-1.5 -29	9.24 8.07	6.57 7.21	13.84		743.60 890.32	749.60 900.53		7 <u>21.1</u> 7 966.78								
Contracting, Early Mon (29)		-3.3 -1.0	8.56 10.28	8.47 6.32	17.13 12.38	51.42	905.17	918.23	916.91	1132.67								
(26)	1676.06	-0.1	10.97	5.13	11,56	53.94	1678.23	1687.23	1648.63	1548.10				L	OND	ON RE	CENT	r H
Engineering-Aerospace	323.93 456.04	+0.1	16.68 10.48	8.02 5.48	7.30 11.77	18.52 18.20	325.38 457.60			400.22 366.02	HO	UITI	28					
Metals and Metal Forming 💵	297.19	-2.5	2.20	11.84	-	25.83			304.06	403.16				-				_
Motors (12). Other Industrial Materials (20)	290.37	-0.7	8.91 8.17	8.29 5.59	14.89	17.56 59.05	292.50	292.91 1503.51		294.06	heat Price	Age IX. Pale	Latest.	19	91		nck	q
CONSUMER GROUP (189)	1551.40	+0.1	7.57	3.55	14.57 16.26					1259.18 1230.28	mor	10	Date	High	Lee			["
and Distillers (23)	1910.11	+0.1	8.87	3.71	13.64	49.14	1908.62	1912.81	1898.62	1601.81	199	F.2.	-	-	101		Co's CS	
Food Manufacturing (19)Food Retailing (17)	2264 06	-0.6 -0.6	9.78 9.80	4.20 3.51	12.56 13.26		1214.49 2379.05		1210.33 2375.91		=	F.P.	= .	143 405	50	BTR Warres Ballik Giffo	on in the	1
Health and Household (24)	4187.08	+1.1	4.92	2.30	23.37	72.62	4141.37	4157.43	4137.14	2297.05 2564.03	*135	110	-	129b	1224	Bristol Water British Telep	r Non-Vig E	113
Hotels and Leisure (24)	1194.45	-1.0	8.54	5.67	14.49	45.61	1206.14	1214.24	1193.37	1217.94		13	-	149	146	B 21	-	-] i
Media (23) Packaging, Paper & Printing (17)	1334.60	+0.5	7.08 7.46	4.02	17.76 16.25	48.36 24.43				0.00	1	F.P	-	110 95 96 31	76	Bette Miles Capital Intes Culver Lp	tries la	_
Stores (32)	988.86	-0.3	7.64	3.76	17.22	26.77	728.16 991.66	726.98 993.59	720.70 977.67	519.72 777.68	-	F.	- 1	8		Drayton Korr	Th	.1
Textiles (10)	588.40	P	7,87	5.28	16.20	22.28	588.12		595,49	404.00		F.P.	-	31	23	Drayton Kore Do. Warrano Eurotame! "S	1 tol.	٠,
THER GROUPS (112)		-0.6	10.30	5.74	12.25	40.33	1178.70			1018.57	700	7.P.	-	100 101 101 101 101 101 101 101 101 101	2	Fidelity Euro	Valenti	- 1
Business Services (13)		-1.2 +0.1	7.59 7.39	5.00 5.36	16.74	46.93 54.35	1346.19 1367.06			0.00 1075.21	-	F P	-	4		Do. Warragty Floriday June Frost Group	· · · · · · · · · · · · · · · · · · ·	
Conglomerates (11)		+0.2	11.31	8.34	10.87	44.87		1278.64			9235	FP.	-	263	14	Haratan Sides &	Married II	- 2
Transport (14)	2271.22	-0.2	5.65	4.98	23.31					1909.66	120	F P. F.P.	-	131	超	Harrington K	libride	13
Electricity (16)	1208.14	-0.6	14.92	6.23	8.71			1226.97		0.00	195		- 1	25	200	Harrington K Hoos Korn Zi JiB Gross 10	7\$ OP FT	- 2
Water(10)		-0.8 -1.6	11.45 19.06	4.57 7.10	11.41 5.78	30.42 151.44		1389.95 2297.91		1174.13 2187.12	100		-	22	23-	Love 00 With	PS	-F.,
Miscellaneous (23)	1709.37	-1.3	5.85	5.81	23.50			1741.75		1587.87	~	P.	-	표	60%	Oc. Geared th	N	-1.3
NDUSTRIAL GROUP (481)		-0.4	8.73	4.76	14.33			1233.91		1041.14	100		-	182		Do. (accure 1) Do Package i	July	
0il & Gas (19)		+0.3	11.69	6.35	11.32	104.27	2204.09	2208.28	2168.97		50	F.	- 1	37		Do Zero Divi		. 3
500 SHARE INDEX (500)	1310.30	-0.3	9.07	4.95	13.91	44.82		1319.35		1146.08	54 160		- 1	4 22 4 6 22 7 5 22 5	100%	St. Davids Zo	o Die Pf	191
FINANCIAL GROUP (90)	703.82	-1.0	-	6.63		34.41	710.85	714.86	703.00	712.10		r.r.		37 }	17 }	أرضمنى والرور	277 St	-1 2
Banks (9)		-1.2	4.76	6.40	41.61	38.97	839.85	843.67	815.33	743.96								
nsurance (Life) (6)		-0.2 -1.2	_	6.11	_				1388.45	1305.90								
nsurance (Composite) (7)	976.98	-1.1	8.36	8.90 6.85	15.74	32.94 49.46	495.75 987.54	504.96 989.65	503.52 988.61	620.32 990.99								
Vierchant Banks (7)	453.99		-	4.72	-	16.06			452.16	356.00				F	Xen	INTE	REST	57
Property (35)	805.39	-1.4	6.13	5.85	24.03	33.34	816.67		822.85	978.48	-	. 4-		Latest				-
Other Financial (16)		+0.2	11.51	<u>7.57</u>	10.93	13.03	230.25	229.80	229.31	255.21	Pric			Remote 1	L_ 2	1991		
nvectment Trusts (69)	1139 59	_0.5		3 201		31 B2	1145 60	1140 051	T146 001	1010 77		- 1 '				(.		

	FIXED INTEREST							AVERAGE GROSS REDEMPTION YIELDS	Tue Oec 17	Mon Dec 16	Year ago (approx.)
	ICE DICES	Tue Dec 17	Day's change		Accined Interest		1 2	British Coverament Low 5 years	8.72 9.34 9.35	8.63 9.33 9.33	9.83 10.16 10.17
1 Up 2 5-3 3 Out	itish Government 1 to 5 years (27) 15 years (27) er 15 years (8) edeemables (6)	135.38 144.35	~0.15 ~0.03	122.10 135.58 144.39 160.16	1.91 1.43 1.67		8	(0%-74%) 20 years. Medium 5 years. Coupons 15 years. Kigh 5 years. Coupons 15 years. (11%-) 20 years. 20 years. 21 years.	9.69 9.46 9.42 9.92 9.52 9.45 9.54	9.64 9.45 9.42 9.87 9.51 9.44	11.02 10.49 10.38 11.13 10.66 10.53 10.33
6 Up 7 Ow	l stocks (69) lex-Linked r to 5 years (2) er 5 years (9) i stocks (11)	167,21 147.87	-0.03 -0.10	133.66 167.26 148.02 149.55	0.78 0.93 0.91		11 12 13	Up to Syrs. Over 5 yrs. Up to 5 yrs. Up to 5 yrs.	3.98 4.35 3.29 4.16	3.97 4.34 3.28 4.15	3.99 4.15 2.60 3.95
_	hs & Leans (62)		-	114.68	1,86	10,75	15	Debs & 5 years Leans 15 years 25 years	11.18 11.00 10.83	11.18 11.00 10.83	12.63 12.37 12.14

5.12

ROpening Index 2436.4; Index 2436.4; Index 2437.5; 10 am Index 2439.2; Roon 2439.5; 1 pm 2434.7; 2 pm 2434.1; 2 30 pm 2434.9; 3 pm 2432.7; 4.10 pm 2430.6; (a) Index 2430.6; (b) Index 2430.6; (c) Index 2430.6; (d) Index 2430.6; (e) Index 2430.6

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- her	. Ia	!	_	XEL	INTE	REST :	570	CK	3	I.		_
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Forecasi or	on division estimated or other of r 1991. L on prospect e. ri Reint		TL.	Japan Japan Zagan Lama Japan Ja Ja Ja Ja Ja Ja Ja Ja Ja Ja Ja Ja Ja	SCorpurate Services disp Morroom (WI) Supermitis Pica Perceivant Su Villaima Samera III Similare III Services Insulate on pro- cessor and yield, of Earnings for Devices and pro-tila year's barraings. F Devices are shown and yield based on prospecta or in based on latest areas clearly of III self in Orbitism and yield based on pa III self in Orbitism and yield based on page III self in Orbitism and yield based on page II self in Orbitism and yield ba	testicary (lig and yield in or other (p. M Division respectas o respectas o f incredac- istation, mo	mes, u seed on official ses and other other star. 9

TR	ADITION/	L OPTIONS
First Dealings Last Dealings Last Declarations For	Dec. 16 Jan. 3 March	Calls in Berrett Devs., Belacos, Breat Walker, Kunick and NSM., Puts in Breat Breat Walker, Breat & Anthony and Rathery.

	CRUS PATS		TRADED OPTIC	CALLS.
Option	Jon Apr Jul Jan Apr Jo		Fah May Any Feb May Ang 57 10 15% 22	Syttee Dur La Jee Der Her
Alid Libes (*916)	500 99½ 113 - ½ 3½ 560 51½ 72½ 78½ 3½ 10 10 408 17½ 41½ 48½ 18 20½ 38½	100	2 3 774 454	(M)73) 177 - 81 - 9
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	377 - 47 :		360 27 334 404 5 134 154 390 104 174 235 154 11	Midhad Bk 200 4 181 271 2 11 (*204)
5/12, Alrea _s (*2)7 1	280 20 24 464 1 24 44 280 21 274 31 2 6 104 28 7 164 19 11 14 144 194	Brit.	3 42 1 6 10 19 3 17 25 22 22 22 22 22 22 22 22 22 22 22 22	National Total
Smiti and		Codboy Sal	420 27 5 33 5 49 6 17 27 4 31 4 460 11 5 20 5 31 5 50 5 53 5	(*146) 160 4 35 7 124 154 Nature 900 45 784 105 4 244
Sec. A. 1857)	750 964 115 135 2 84 154 800 514 784 954 74 204 284 850 204 484 664 274 414			(*45) 54 504 784 10 444
Rests MSS 1		Castern Clos (7340,)	230 13½ 21½ 5 5 8 30	(*122) 130 % 4% 5% 9 16
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hiliph Stand 166)	70 11 15 12 13 74 94	Respire.	100 174 20 22 36 56 86	220 5% 16% 21% 2 7
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& Whe	500 32 334 664 74 15 22 600 18 26 37 324 37 65	(*255) Lucis lada	260 15 6 mm 27 6 16 mm 27 4	702 38½ - ½ 9½ 750 1 22 12½ 32½ 158 1 20 3 75 11 7 7 13½ (*122) 130 ½ 4 7 7 13½
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Tarest 1943: 1	330 284 385 464 75 154 194 340 8 17 285 23 315 334	12)	130 1/4 13/4 13/5 4 13/6 13 30 1/4 13/4 13/5 4 13/6 13	990 - 5912 8812 - 1812
34X 1		Production (*227)	200 164 1114 264 514 114 124 240 64 10 154 164 214 244	225 275 255 2575 M25 2475 2025
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tard Mai. 852)	200 전 20	BAYES TOTAL	51. 2% 4½ 460 37½ 15. 54½ 900 15. 24½ 34½ 30½ 40½ 44	Jan 230 183 139 905 1 40 21 1 Pan 244 - 141 - 925 - 65 Mar 341 - 154 - 114 - 435 102 - 227 - 142 - 107
JIMA ET	1190 431 655 885 7기 등 수는 1290 교기는 655 명을 기계 등 수는	Scot. & Hear (1409)	390 22½ 144½ 8 16½ 420 7½ 23½ 23½ 33½	Sep 340 - 267 - 208 - 163
-	44 42 57h 42h 2 7 12h	Tests 1	200 25 28 33 1½ 4½ 1 220 10½ 15½ 22 8 11½ 13½	PUTS Dec 11s 3 5 91s 181s 481s 881s 81s 121s 181s 281s 64 64 96
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AS.		Option No.	Sie Mer Jan die Mer Jan	CALLS
292)	300 2 TP 1417F TPF SIF	Abbry Mat. (*2005)	300 5 75 US 15 22 A	PUTS
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ell Tabli, 167)	460 33½ 37½ 47½ 3 30 10½ 200 7 14½ 24½ 16½ 30½ 10½	1	360 31 ₂ 201 ₂ 271 ₃ 2 191 ₂ 22 370 ½ 9 141 ₂ 30 391 ₂ 401 ₂	FT-SZ INBEX (*2451) 2250 2300 2350 2450 2450 2500 2500 2
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it Jen 125)	20 25 11 5 11 10 20 10 10 10 10 10 10 10 10 10 10 10 10 10	Harley Stat.	700 25½ 42 5% ½ 4 5% 750 11 18 25½ 25½ 30½	Eurotrack 100 letter Calls H/A Pets H/A *Underlying security price. r Long dated capitry or Presidents shown are based on caldate prices.
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	TRADITIONAL OPTION 3-month call rates					
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Berisford director resigns as losses decline to £20m

By Peggy: Hollinger

The street of th

MR MURRAY STUART, the to Brencroft. The financing man who man make lim led Berisford International from the brink of liquidation, announced his resignation terday as the once heavily in-debted commodities and prop-erty group a sharp decline in losses from £96.1m to

The City voiced some disappointment II the lim of Mr Stuart, who would only that he was "taking up another appointment, and shares to 18p.

Mr Stuart, who joined in July 1990, had closely linked with the successful disposal approgramme mustical by

posal programme pursued by Berisford – more than 50 busi-nesses and assets sold in the last 18 months – to pay off the £1.2hn — in September 1990.

means that Berisford will receive £17m day repayments through the new joint ven-ture's banking facilities Announcing the results,

Berisford said debt - including contingent liabilities the last year-end was 21.5m. However, include the group's guarantees for Rayner International, the trading business in which it is 45 per cent. In light of the difficult trading conditions experienced by RCL Desirated may a firm us nil the value of investment in the coffee business, requiring

provision II Mr John Sclater, chairman, said the biggest problem now last 18 months — to pay off the
£1.2bm — in September 1990.

The group — yesterday
announced the sale of 51 per
cent of its cocoa trading activities in a management buy-out

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facing the group would be taking the group would be taking the group would be taking the group would be taken the taggest problem how
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🛮 🖛 🜃 \$27.2m in 🔤 year. A sharp fall in little charges from Tilen to Illian helped cut losses. The pre-tax return also lower exceptional invaluation

the UK portfolio - Compared Mr Barry O'Connor, director, ering and of the In property portfolio several not of group needed an on-going busi-

group's prospects in current once in operations dealt with.

This time last year

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WIBBLE, Section of discountries Purchases help Halma rise 8% Tebours of Thies are positive to the property of the positive to the positive

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ACQUISITIONS AND a drive for the ris helped Halma, the safety environmental trol group, to raise pre-tax profits by per cent, 58.71m, in 11.52.

The share price cained

The share price gained yesterday 159p.
Mr David Barber, 159p.
managing director, 160 group 160 resumed in upward growth path" after a small profit reduction in the second half of he

Acquisitions Manney ile first-half profit res with the other companies in the

defensively".

Export sales rose by 31 percent to £10.9m, with the Continent as the chief destination.

Nearly £10m more came from overseas operations, mainly in the US. Almost half the group's \$44.4m (£38.9m) first-half turnover lay outside the UK, Mr Barber said.

Memco, a maker of sensors for lift doors acquired a year ago, exported about 75 per cent of its output.

The most recession-resistant businesses were those involved in safety and fire detection

De La Rue raises Garny stake

THE RANDFONTEIN ESTATES GOLD MINING COMPANY,

Registration Number 01/00251/06

(Incorporated in M. Republic of South Africa)

DIVIDEND

SHARE WALLANTS ITS BEARER

Holders of share warrants to bearer are informed that payment of the above "" be made on or after 4 February " surrender of coupon 115 to Barelays Bank Pic., Stock Exchange Services Department. 168 Fenchurch Street, London 3HP. Coupons " listed on forms from Barelays Pic. Coupons " week-day (Saturday excepted) at seven clear days before payment is required.

This payable subject to the conditions which be inspected at mobiained the company's Johannesburg of the or interesting of the London Secretaries, Brothers Limited, Bishopsgate, London EC2M 3XE.

Registration Number

Registration Number 65/10726/06

companies in incorporated in Republic of Africa)

NOTICE TO SHARRHOLDERS

Notice to the Holders of Warrants

subscribe for shares of common stock of

SxL Corporation

(the "Company")

U.S. \$70,000.000

per cent. Guaranteed Notes due 1992

with Warrants

(the "1987 Warrants")

U.S. \$100,000,000

5 per cent. Guaranteed Mana due 1992

with Warrants

(the "1988 Warrants")

passed resolutions 22nd 29th November, Company passed resolutions 22nd 29th November, Company shall in on 12th December, 1991, DM 125,000,000 per 1911 1917 1995 with attached (the Bonds with Warrants") for the consideration less than the custem market price per share of common stock of the Company

"Bonds with Warrants") for the consideration less than the current market price per share of common stock if the Company.

As a result if such new issuance of the Bonds with I subscription Prices which issuable upon exercise of the 1987 Warrants and I Warrants adjusted as follows:

(a) the Subscription The of the Landau adjusted from Yen 1,982.70 Landau 1,961.40.

(b) the Subscription Price of the 1.50 has been adjusted from Yen 1,591.40 Wen 1,574.30.

Johannesburg Investment Company, Limited

An interim dividend, dividend no.113 of 25 cent

Last de for registration Registers (dates inclusive) from

Head and Registered Office: Consolidated Building Fox Harrison Streets

in the of the financial year ending 30 June 1992:

WITWATERSRAND, LIMITED

IN Rue, the security printer and payment maker, increasing to maker, to with pur-of per holding for total of the

The consideration is to be missied by DM52.5m (£18.4m) cash and the issue of 2.73m

Garny is @ German manufacand physical security equip-

ment and distributes De La products in Germany, contribu-tion De La Rue's interim results.

The little rights issue announced in October at time of the Swedish-based Inter innovation up by holders representing

January January January

per: M.M.R.

III O'Connor was up lan

reported a depressing picture,"
he said. "But we have
y in and net
of reported to the

tion, Apollo Illia Departme was the biggest manager in the

Although the group's margins were not as high as they had been, they were more than it rading the margins with the state of the state o the specialised nature and strong market positions of the 34 subsidiaries.

One business had, however, been hit by customers deferring capital spending. Microphax, a maker of data reading and storage equipment, the storage equipment equip dinary lies in the full-year

add-on acquisitions, spending \$2.2m cash in the first half. In bought the panies that detect water leaks and monitor pipe networks in a share deal \$2.4m.

The group \$2.4m.

The group \$2.4m.

The group \$2.4m.

The group \$2.4m.

ted similar paint Earnings share advanced from 3.09p to 8.25p and the interim distribution is increased to 0.863p, compared with

Border TV |int 1.1

ElectInt

Jan 31

ahere except where otherwise stated.

Equivalent allowing for scrip issue, fon capital increased by rights acquisition issues. SUSM stock, &Scrip option, \$\$pecial

Polly Peck adviser called a liar

By David Barchard

A BRITISR-trained barrister who represented a number of Polly Peck International sub-sidiaries in northern Cyprus was described in the High Court yesterday as a self-con-

Mr Mentes Aziz, a Turkish Cypriot lawyer who acts as an adviser to the British High Commission, and was paid 250,000 for his services to the 250,000 for his services to the administrators of Polly Peck after the electronics and fruit group went into administration in October last year, is challenging an injunction freezing his UK assets.

Mr Aziz is one of six defendants challenging an application on behalf of Polly Peck's administrators for an injunc-

administrators for an injunc-tion freezing their assets to be continued until the case comes continue to trial.

ontining uptil the case comes to trial.

Mr Asil Nadir, the former Polly Peck chairman, and his mother, Mrs Safiye Nadir, are among the uptil told by Mr David Oliver 11 representing the administrators, that Aziz had received over flusince 1987 for work purportedly done for the company, and from the Salamis 11 Hotel in July last year when he acted for both parties in the sale, charging a 15 per cent fee from each — a lower sum than he actually appeared to have received. No la notes, inmices, or

Mr Giles Orton, a lawyer rep-the pensioners, und other documentary evidence for the bar been received from Mr Aziz. A sun close to \$10m was supposed to been remitted to Polly Peck from a second sale of the hotel from a second sale of the hotel to the Turkish Cypriot government, but Mr Oliver said that the money which arrived might have been by Peck funds held by the Turkish Cypriot central hank in London.

Mr Mark Blackett Orde, representing Mr Aziz, said by main question was not about Group Parising from the Parising

main question was not about the facts in the case, but about the laterates to be drawn from them.

There was laughter in the courtroom when, after hearing from Mr Offiver that Mr Aziz had a propensity to remove funds from the UK, Mr Jan-Vinelott said: "Yes, and in a Judgement is due

6.9

DIVIDENDS ANNOUNCED

Date of ponding by payment payment dividend

Court hears | Deadline set for Trachtenberg disclosure Richard Gourlay

MR LARRY Trachtenberg, a investment Management, was vesterday by the High Court provide information by Friday about abouts of the missing from Maxwell company pension

In Trachtenberg's plea for a longer extension of the land. sure obtained earlier liquidator to BIM, which managed the pension live

wrote Montagu, II merchant bank, before the May

flotation of the newspaper

complaining of the learning policy of the Ulima Group Pen-

sion Fund, Com-

yesterday.

Samuel Montagu, an adviser Infloration Peplied saying lawyers advised Mirror Pension

ers' were unsustainable.
The committee of Mr Maxwell's and Iau, to testify

January 13 after they turned down ar invitation in testify

yesterday, saying they will otherwise engaged". The

mittee IMI M was concerned a

court order.

and has force of a

have provisional liq-uidator on Friday having signed disclosing background transactions led to unauthorised transfer of funds III private Maxwell companies.

Mr drauge Harman refused

Pensioners showed concern

before the Mirror flotation

MINISTRA OLD DESigners that the sales concerns that

in 1984.

By Bronwen Maddox and This Gourlay

Hr Trachtenberg will now The provisional liquidator Mr Michael Hill QC, for Mr

Trachtenberg, who not in court, argued he would need a further provide the information. The Serious and BIM's legal department were still holding of documents he needed in make the affidavit.

Mr Maxwell had slowly

increased a control of fund trust from the

bought The Daily Mir-

when there

agement representatives and mr had the fifteenth casting vote, director the

Management

took are day is day management of the pension

Mr Michael Gallemore, another Trustee,

something was real a

routine management meeting on 15, in year, in days Mr Management death.

only meeting
stock lending programme became mech-

through which we the

"Even in the beginning,

opposed the plea in the grounds that though Mr Trach-tenberg might not to the documents he had the report if the private Maxwell company finances, prepared by Coopers & Lybrand Deloitte, and an affidavir from Mr Tre-Cook, the manager of Maxwell pension funds, is help prepare his statement.

Mr Justice Harman said that allowing | further 14 days would cause "unreasonable delay" in a case in which Mr Trachtenberg must have know-

of "remarkable, substantial transactions" with BIM money. Il was the try to trap assets that the dispos-

able, the judge said. "Mr Trachtenberg must be able to give information which will be useful now," the judge said. "What 🛄 🖦 🖷 from him 🕍 not 🖿 argument but to what he person-

ally knows." Mr Trachtenberg until 4pm on Thursday III supply sworn the the liquidator prior to the meeting arranged for Friday.



Tony Chairman of the Association of Mirror

British Gas signs Czech deal

By Arisma Gentillani in Prague

Trustees of an pension and

BRITISH GAS yesterday signed a co-operation ith
the gas company of the
republic, placing the UK group
in a leading position to invest
Czechoslovakia's
when it is privatised.

The co-operation agreement will include projects modernise the distribution toward in the Carl republic implement the country from environmen-MIN damaging fuels to natural

British Come said that joint-venture opportunities will in

the distribution companies in and in Slovakia, and Transgas, the company supervising the only gas pipeline in the country, are scheduled to be privatised by the second half of 1992. British Gas, which was priva-tised in 1996, will be advising the companies in the mean-

British Cesky
Plynarensky Podnik, the gas
company which holds
monopoly in the republic, in the British group it was conducting negotia-tions in the republic. Both Czech and Slovak pipeline in the country which supplies gas from the Soviet Union to western Europe. Both privatisation and jointprospects are in the balance until the issue is resolved.
British Gas las recently

authorities have been fighting

its because in the region.
It holds 24 per cent of GasSachsen Anhalt
25.5 per cent stake in
Erdgas West Sachsen, new

distribution companies in the former Germany. Negotiations and also under way in Poland and Hungary.

brings the company's plans by several years to include wide-bodied jets within its marketing framework. Construction work the IESOm (274m) hangar at a sirport in the west of Ireland, in all advanced, and is 📖 🚃 to begin overhaul operations next September. In 💷 🚟

GPA venture

of services

expands range

Tim Time in Dublin

Shannon Aerospace, a new

surprise delicated to jet air-

craft overhaul and mainte-

nance, jointly owned by GPA, and Lufthansa,

services on both 757
and 1 1 1 1 to its range of

The company said: "This decision . . represents the logical step in the Aerospace on its way in becoming Europe's leader in independent airframe mainte-

Irish national airline.

Conroy prepares to fight shareholders

By Kenneth Gooding, Mining Correspondent

CONROY PETROLEUM, the USM-quoted Irish company under siege by ill is biggest shareholders which is to replace is entire board, will hold in extraordinary meeting to all that issue, probably I late January, and Mr Conroy, chairman.

admitted his board would if extremely difficult

win the battle against in

shareholders, Gutokumpu, the state-owned Finnish group, and International Corons of Atlantic deal being completed The confrontation

Conroy made in agreed 127m (£6.5m) offer for Atlantic Resources oil and company. The shareholder-Conroy in concentrate solely in developing its zinc-limit deposit in Galmoy, County

before the meeting. However, after the Atlantic acquisition, Outokumpu and Corona would than than 40 per of Conroy's issued equity. The board controls less than per cent. The directors could be dismissed by a straight majority vote.

originally concerning Boeing 737s and McDonnel Douglas MD80s.

nance." The move will put it in competition with Team Aer Lingus, a subsidiary

WESTERN AREAS GOLD MINING COMPANY LIMITED ELSBURG GOLD MINING COMPANY LIMITED The Boards have decided to pass the dividend for the first half of the correct

Paris 1/2 load power of the control of the experience in exploration,



announce Neil D.S. Westoll, B.Sc., Ph.D. Geology (Edinburgh), has been appointed to the position of Vice President, Development for the company. Dr. Westoll has 22 years of

development and acquisiand will responsible for the evaluation of projects Im acquisi-MID post-doctoral fellow-Marie M. Downey Engineers of Date and the adian Institute of Mining and Metallurgy.

FIGURE ELECTRONIC CORPORATION

Notice is hereby given to holders of CDR's issued by Caribbean Depositary Co., N.V. evidencing shares in the above company that the "46th semiannual business report" of Pioneer Electronic Corporation for the six months period ended September 30, 1991, prepared on a parent-only basis, may be obtained from: N.V. Admini-

stratie- m Trastkantoor Herengracht 420 1017 BZ Amsterdam

The Bank of Tokyo Ltd. established in Tokyo. Brussels. London, Disseldorf, Paris and New York Pierson, Heldring

Pierson N.V.

Amsterdam, Dec. 11, 1991 The same of the same of

TOAGOSEI CHEMICAL martin co., LTD. ants to hand the little Common of Company.

You are hereby notified that the Board of Directors of Corapany to make a stock split on 20th February. 1992, Japan time, to 5 1st December, 1991, Japan time, at a rate of 1 4 Shares for each Share Coracan Warrants will a adjusted to Clause 5 of 5 1 20th July. The split of the captioned Warrants will a adjusted to Clause 5 of 5 1 20th July. The split of the captions of the captio

Current Sub-cription Price per Share Adjusted Subscription You Yen 673.30 Price per Yen 673.30 Effective in from 1st January, 1992, Teagesti Chrodical In [4-1]

Tokya, by

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December, 1991

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COMPANY NOTICE

TYDALL AUSTRALIA LIMITED

A.C.N.000 III 949

NOTICE OF MEETING OF OPTION BONDHOLDERS

Take note that on 10 January 1992 at 9:00 a.m. at Level 22, MLC Centre, Martin Place, Sydney, Australia ■ meeting of holders if Option Bonds issued under the Deed made as of 27 March 1987 between Tyndall Australia Limited (formerly Clayton Robard Limited) (the 'Company') and Guardian Royal Exchange Assurance plc (the 'Option Bond Trustee') will be held.

The following resolution will be considered **the meeting** and, if thought fit, passed = Extraordinary Resolution of the Option Bondholders:

That the Option Bondholders consent to the modification

(a) clause 2(A) of the deed ("Principal Deed") made as of 27 March 1987 between Tyndall Australia Limited (formerly Clayton Robard Limited) and Guardian Royal Exchange Assurance pic by substituting '17 January for March 1997:

(b) the Principal Deed by deleting clause 5 in full: Condition 4(A) the terms and conditions (Terms') of

Option Bonds on issue under Em Principal Deed by substituting '17 January 1992' for '27 March TW: and (d) the by deleting Condition 6 in full

Convening of Meeting

This meeting has been convened 11 mar request of holders of approximately 95 per end of the principal amount of end Option Bonds presently outstanding. The Option Bond Trustee has approved em convening of em meeting.

Option Bonds may deposited with the the first of any Paying and Conversion Agents to below until 9:00 a.m. on

January for the purpose of obtaining voting certificates or block voting instructions.

The Paying and Conversion Agents are:

· Chase AMP Bank Limited. 33rd Floor, Qantas International Centre, International Square, George Street, Sydney, NSW. Australia.

The Chase Manhattan Bank N.A., Woolgate House, Coleman Street, London EC2P 2HD. Chase Manhattan Bank Luxembourg S.A., P.O. Dan 200

47 Boulevard Royal, Luxembourg. Voting certificates and block voting the water will be the be

respect of deposited Option Bonds.

Certificates and Instructions will remain valid until Option Bonds are released as 📖 📖 below. During the validity of an analysis and instructions, the holder

of any certificate or the proxy named in any instruction will, for all purposes in connection with the meeting. It is to be the holder of the Option Bonds to which the certificate or instruction.

The Paying Agent or Ma Conversion Agent with a late or In Inc. order of which Option have have deposited will in Interest for those Option Bonds. A voting certificate issued by # Paying Agent or # Conversion

Agent will bearer attend and the meeting ... any adjournment of meeting in respect of the Option meeting in represented by em certificate. Option Bonds relating to the voting certificate will not be released

until to run of: (1) the latter of the conclusion of III meeting and any

adjournment of meeting; and (2) the surrender of the voting certificate to Taying

Agent or Ma Conversion Agent which issued it.

A block voting instruction instal by a Paying Agent or a Conversion Agent will authorise any person named in it to vote, in respect at the Option Bonds listed in the block voting instruction, either | against the resolution.

Between 9:00 mm on ■ January 1992 and 9:00 a.m. on 10 January 1992, voting instructions may not be revoked or amended.

Options limit relating to its block voting will not be until the life to occur of:

(1) It latter of conclusion of the meeting and any adjournment of the meeting;

Ill surrender, we less than 48 less before Mil a.m. on Ill January 1992, if the receipt the said deposited Option than which is to be released to the paying Agent which is receipts, coupled with with it is a made being given by such Paying Agent or Conversion Agents = - Company of inecessary amendment in its wall voting instruction. 🔳 Quorum 🚟 Majority

The quorum at the meeting will be two or more persons present holding Option are or voting certificates on being proxies and holding or representing in the aggregate not less than threequarters in principal of in Option back for the time

The majority of Option Bondholders required to pass im resolution me me Extraordinary Resolution will comme of more than three-quarters of the man on the resolution.

Company Secretary

TYNDALL AUSTRALIA LIMITED

UK COMPANY NEWS

Making the most of a power base

shrub.

Jane Fuller on Babcock's struggle to maintain its standing in the City

nies in stand out from the gloom surrounding UK companies has been Babcock International Group, which recently unveiled increases both its interim profits and dividend.

After an 11 per cent rise in pre-tax profit in the six months September the annual figure is expected to approach £50m compared with last year's £46.7m. The dividend ■ forecast to go up by ■ per cent, giving a 7 per cent yield, which is the main reason for the shares being held. As for cash, the group had £57m in the bank in September which nearly half is we for acquisi-

Yet on a prospective p/e of less than 9 Babcock's shares a significant discount engineering sector. Yes-terday's classic price of 59½p only 2½p plac-ing price in July when was demerged from FKI, its unlikely engineering partner. The one consolation is that it in January.
So why is it that the post-

FKI management La by Mr Whitehead, chief executive, and Mr Erik Porter, uphill struggle to make the 100-year-old company's

home" - referring | marriage FKI - m illustrated by Davy Corporation's ill-starred ill rig and Howden Group's expensive embroilment tunnelling

There lingering worry that the length of some of Babcock's contracts – up to will simply be very late going into recession.

To allay these concerns, Mr Whitehead and Mr Porter have had a research the City about the Life and power station of the business and show

that the group's heavy engineering skills can applied to desulphurisation plant, to tioned potential buyers neering skills can applied to other markets. Last year, the breakdown of

profits showed that 30 per cent came from energy and manufacturing, roughly 20 per cent each from construction/process plant contracting, facilities management and Africa, and nearly 10 per and from the Claudius Peters operation in

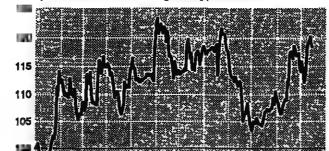
The main themes of making the most of the power-related

the Drax coal-fired complex in North Yorkshire, includes double lear bus looking like ■ ladybird beside ■ large

Outside the permission, Renfrew is handling a wind tunnel, rail bogeys, ships' propellers and ground support equipment for missiles. Profitability is far better

than it used to la Babcock Energy now land in pre-tax

Babcock International



price relative to the FT-A Engineering-General Index

of applying the skills to the being ham-mered out Babcock Energy's at Renfrew, mar Glasgow, which had mentioned Babcock's achi-

The question was how could groups a factories, football pitch in floorspace in the filled?

Mr Land Law, Babcock

director, says ness, which is be synonymous with boilers, now specialises in "anything big". To enable here components is be the George V in Glasgow, bue and bertlable traffic lights

margins of 6 to 7 per cent, it

It has to be admitted that owes something in the parunder in FKI regime, notably hands of Mr Jeff ley, remains deputy chairman 👊 👊 🚥 heading FKI. Lord King, chairman, points out that acquisition accounting in helped in pro-

Yet the 1987-89 FKI Babcock purge had its limitations. Mr Law says: "We were screwed down on capital investment to no more than depreciation."
The sale and the rankles and the queen tion if FKI's long-term commit-A diagram of a flue-gas ment in like was quesJust important as the cost-cutting has been bringing in of new orders, par-

ticularly short-term ones. While the combined-cycle gasfired power stations involve Babcock in only ■ tenth ■ the man-hours per mega-watt of a coal-fired station, Mr Law says the modules for steam genera-tion are the nearest Babcock gets to mass production - one

Renfrew's present order book runs for the rest of this year and for 60 per cent of next. The mixture of work has reduced the need to ask what was formerly a burning ques-tion: "What will fill the factory the year after next?"
While credit is given for the

progress at Renfrew, two wor-ries persist about the group. One is over the joint venture with Thorn EMI to run the Rosyth Royal Dockyard for the Ministry of Defence. This contract accounted for 23 per cent tract accounted for 23 per cent of pre-tax profit last year, but the flow has since been dis-rupted, the ministry's Options for Change document increases fears of cuts and the contract may not be renewed beyond

The second concern is the in the receipt rather than being genuinely recession

Mr Whitehead's answer to the first is that the worst that can happen at Rosyth is that the profits disappear. As the ministry owns the place, Babcock's investment is negligible.

The proposed of difficult to the proposed of the pro fill because earlier hopes of

managing of government gramme, which was much lilier in the Thatcher However, 10 per ball of management diviwork is commercial, including the recently acquired Tickford rail business.

He gets a little more ond question. He reiterates his



The Drax coal-fired complex in North Yorkshire

faith limb much of the work will not fall off and that tap-ping new markets will cover Just w Renfrew has been

filled, so the construction and process plant contracting side proved adaptable. "We have already been affected by recession, but we have looked for work in other sectors: refining, chemicals, plantre-

Yet to make progress, even as a yield stock, he says the group needs to make an acquisition that is more than just small emission to much include man-

ufacturing with annual turnover 250m and £100m - a tenth of last year's £760.6m group total. The aim would in reduce dependence on the UK which accounts for 62 per cent . of sales - and on contracting.

which has an 80 per cent share. Even though Babcock has cash, it would prefer to make part of any payment is shares - hence the close attention to stock market rating.

The messages the company has received from analysts are mixed. While some are calling for a quick move, others are worried about the prospect of extra paper and counsel patience. Their reasoning is that if Babcock's performance continues to outshine other engineering stocks, its buying power will be increased by a re-rating of its shares, and its recession-weary targets will be

Whenever the deal comes. it will be of paramount impor-tance that it enhances earnings. While it would be nice for Babcock to have a growth element to its image, it cannot afford to jeopardise its yield

NORTH OXFORDSHIRE and THE M40

The FT proposes to publish this survey on March 2 1992.

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Notice of Interest Rate

To the Holders of

The United Mexican States Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rate covering the interest period from December 16, 1991 to June 16, 1992 is detailed below:

Bonds 5.328125 Pct 2A. U.S. \$27.08 Per U.S. \$1,000 June 16, 1992

INTERNACIONAL NEW YORK AGENCY,

December 16, IIIII

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Arrang

UK COMPANY NEWS

Southern Electric surges to £14m

By Juilet Sychrava

TEDNESDAY DECEMBER 18 18

SOUTHERN Electric yesterday reported profits before tax of £13.7m for the half year to September 30, against £3.2m on a pro forma basis for the corresponding period of the previ-Earnings per share emerged

at 3.3p (2p) and the interim dividend U 4.9p gave real increase of 8.5 per cent - towards the top end of City expectations.

"It's not a question of how Duncan chairman "It is more to do with what is acceptregulator." Southern expected to sustain real dividend of 5 to | per cent a year over the long term, he

Turnover rose from £650.3m to £745.5m as unit sales in (Smain distribution rose Li per cent, with a strong 7.8 per cent in to domestic consumers.

Industrial sales fell 0.9 cent. Unit growth should be 2.7 per cent for the full year. In the supply business, volcent. The business should make a small profit and end. Retail turnover

FIERCE PRICE competition and a sharp decline in demand combined to cut pre-tax profits at Arthur Lee & Sons, the steel and

plastics maker, from £5.12m to £361,000 for the year to September 30.

Nevertheless, Lee — which is 22 per cent owned by GM Firth, the engineer — main-tained its final dividend at 4.25p, making a

and per center.

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Duncan Ross: expected to sustain real dividend

Competition and low demand hits A Lee

some divisions.

Margins came under heavy pressure in

both the plastics and steel divisions.

Export margins were hardest hit, with sales in Europe and North America "not reminerative, if we could get them at all,"

said Mr Lee.

Operating profits in steel and related products fell by 63 per cent to £1.6m on turnover down just 11 per cent to £90.9m. Plastics saw a 67 per cent decline at the operating level to £511,000 on sales down

The unique of the latest the late La costs, mainly purchasing ure or 3.7 per cent, with 80 jobs lost over the half year, boosting operating

Capital expenditure was down. £116m. But the

half - details limit year's fig-

THE CHOCK LICEUS WITH £154.1m against 11 previous Short-term fell. Gearing

COMMENT

Southern Elimin is a City

electricity companies with a strong and articulate manage reported late in the results season, thus resped the benefit the line rience: generous dividends have not attracted media or regulatory odium, Duncan Roas' view that if service to customers is good, and price increases fair, Southern's good rate of return on capital will not incite regulatory wrath seems reasonable when the company is achieving sensible cost cuts and managing its captal efficiently. The company's strategy of looking for 15 per cent of profits from unregulated business by the end of the decade is hard to judge today, as is its investment in generation. Less risky and more potentially rewarding is its decision to stick with sup-ply, as a way of keeping customers who might switch to gas, sharpening its market wits, and preparing for any opportunities brought by the future extension of that com-petitive market to smaller customers. Analyst's full-year forecasts cluster round a £155-£160m range, giving a mid-range prospective p/e of 7.4 and a yield of 6.3 per cent.

well in excess of film" during the year, Mr Lee said, throughout III.

group, resulting in redundancy payments of £478,000, the loss of 195 jobs, and

squeeze on working capital.
"We have cut out the fat," he said, "and now we are cutting into the bone."

Earnings per share were given a hefty boost by the release of £990,000 in tax

arising from the group's capital expenditure plan.
Earnings fell from 11.04p to 5.52p,

up as Border leaps 63%

advertising revenues a marginal decrease, Border Television lifted pre-tax profits by mer nn imm a ristorii (20)(0)

to £509,000 in six months to October II 1981. Turnover (£6.04m), but Mr Melvyn Bragg, chairman, and achieved a 3 per tool record in a chief share.

Le advertising rose substantially, but revenue from programme sales fell by £167,000 to £502,000, as ITV continued with revised commissioning and scheduling arrangements brought arrangements by provisions willing the

Broadcasting Act.

Hited by 25 per ten in 1.1p (0.88p), payable from earnings per share up from 1.9p to 3.3p.

Recession puts Trimoco into the red

Trimoco, the maker vehicle and property group, was hadle by the min half september and a pre-tax and \$254,000 against \$1.7m profit

Turnover was down from Turnover
2133m to £115m.
Although to trading (£3.83m) II pre-tax | III p

by a former subsidiary.

At trading profits while held up comparatively little for £1.13m (£1.17m).
Losses per share were 0.29p (earnings 1.01p), but the interim dividend is maintained

SOUTHERN

Market share Yorkshire TV down 29% but shows gain in network share

Television, producer in such such The Darling Buds and Emmerdale, yesterday announced a 29 pm tard drop in full pre-tax profits from £18.4m to

The company said, however, its performance compared favourably with the state ITV companies, "the majority of whom reported significantly greater profit me or, in cases losses."

in in me in end-September company paid His in Exchanger levy compared the samounted to 45.5 per cent of pre-levy compared with

Advertising revenue fell by per cent, although this a in net-

Total rose by 1 per cent from £98.5m to 12011 including a £900,000 increase in contractual payments to the ITC. National Transcomm and Channel 4.

Earnings per share fell from 32.5p in 22.9p. The recom-mended final an unchanged and of

12p. re-emphasised yesterday that year and in the early the new 10 the longer term prospects of the company well will trading condi-

company added, how-ever, although intended to maintain La current level of dividends in the trading prospects

and financial position 🔳 the company are satisfactory." Yorkshire Television bid in the competi-tenders for the franchises. The only other qualifying

der, White Rose, bid £17.4m and is now permission for | judicial review of the decision by the Independent Television Commission White Rose will that the Yorkshire business plan

Yorkshire has been that it will remain in profit throughout the new II year franch

Yorkshire, in which Pearson, owners M Im Financial Times has a 20 per cent stake, had net balances at He mu d

September M £12.9m. 154p on yesterday's results,

Poor share performance rules out Thames payment

By Raymond Snoddy

shareholders to of share following the

company's loss of television in February, when Thorn EMI bought and triggered and for the state of the state share was on real depending

on performance.

The dyesterday that the first of to 20p

the payments of to 20p

be paid. It to become payable In the 10 days up to December 13 was

330p or more.
Following the loss of the new

beginning of 1993, the share price was in 178p.

terday.

A deferred payment of up 11 30p depends Thames Television's advertisleast 5241m. Given the grown of

advertising recession target looks unlikely us be Thames W currently direct-

ing energies into cutting planning for a future an independent production company.
It is expected to sell its most

popular programmes such Bill, Rumpole, Minder and This Is Your Life to other

£241,000 loss at Clayhithe

Clayhithe, which earlier to year implemented a capital active investment, returned of £241,000 pre-tax for months September turnover 22.89m.

Pro results for the six

months III end-September provided for comparative purposes showed net the per share fell us 87p from 105p six months earlier. A pre-tax loss of £487,000 compared with prof-

Fully diluted losses per share emerged 10.25p (earnings 9.11p). Directors intend to pay dividend of 2.5p for 1 year and meanwhile, they paying 1 interim of they paying in interim of 0.75p. Taken together with November's in stock interest payment this is a small last year's interim 1.8p.

total of 5.90. Mr Peter Lee, chairman, said the group was determined to "remain loyal" to its shareholders, even in bad times. Sales fell by 13 per cent to £105.6m, although Mr Lee said turnover had dropped by as much as a third in 21 per cent to £14.7m. Several of the group's subsidiaries incurred losses, which amounted to a total although excluding the tax credit, they have dropped to 2.52p. Bromsgrove falls 15% to £3.5m

By Paul Cheeseright, Midiands Correspondent

BROMSGROVE Industries, the specialist engineering conglom-erate, yesterday amounced a 15 per cent fall in interim pretax profits and signalled its expansion into a new sector with the acquisition of the Imbach Group at a potential cost of £2.8m in cash and

Pre-tax profits for the aix months to end-September were 23.5m compared with £4.11m in the same period of 1990. Earnings per share slipped to 6.14p against 6.83p fully diluted, a result which, according to Mr Bijan Sedghi, chairman, was "a the very difficult economic climate which has prevailed."

in the last term in the

The company blamed the "lack of confidence" in most

the economies in which it including the UK, UI

By Alan Cane

Australasia.

Bromagrove's accisting

Overall

per

ating profits

compared with 25.61m.

margins

problems in the materials

divisions, both the automotive the aerospace and offshore divisit increased operating will

automotive the aerospace and offshore divisit increased operating will

automotive the aerospace and offshore divisit increased operating will

araised 1.45p to 1.5p.

Group specialises in the damaged capital assets. It is being bought from Re-Tech being bought from Re-Tech lmbach of remarked by an initial price of £1m, payable

Margins affected as Sanderson

PRE-TAX profits at Sanderson
Electronics, the computing services group, fell 27 per cent in the end-September

23.4m (£3.8m) on turnover ahead from £14.3m to £31.5m. systems, in it is a broadly based computing services to 19.2p.

23.4m (£3.8m) on turnover ahead from £14.3m to £31.5m. systems, in it is a broadly based computing services to 19.2p.

The company's dividend pol-

icy is unusual, paying two interim dividends. It paid a first interim dividend of 5.4p in February and a second of 3.3p in July. A first interim dividend for most war of 5.4p iff

dend for next year of 5.4p will

Electronics slides to £2.4m

Sanderson, which joined the main market in January this year, made pre-tax profits of "open" systems software based

new shares. Further payments == lling 21.8m, again in cash and shares, could want until shares, could until June 1993, but the precise amount depends on the ability limbach Group meet specified profit targets.

Mr Sedghi I that Imbach would form the base of new environmental engineering

Bromsgrove. aim is = offer environcompanies foundries, for example needing to clean up filli operations. The new division is expected to grow organically rather than, as has often been the case with Bromsgrove, by by land and acquisition.

maintenance and support

According to Sanderson,

"modest" profit us

holds a " in

SGA which operates
through Australia, New Zealand, Singapore
and Hong Kong.

ment appears

and Hong Kong.

at a matter of record only.

SOUTHERN ELECTRIC plc INTERIM RESULTS FOR THE PERIOD I APRIL 1991 TO 30 SEPTEMBER 1991

"GOOD RESULTS REFLECTING THE FUNDAMENTAL STRENGTHS OF THE CORE ELECTRICITY BUSINESS."

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

I am delighted to announce pre-rax profits of £13.7m (HCA) for the half year ended 30 September 1991, well and of the equivalent figure for me previous year of £3.2m. Turnover for the six months was £745.5m, up by was over the comparable period earnings per many becaused by 65% from 2.0p = 3.3p.

These are good results given the length and depth of the current and they reflect both we sound management and the scrength of our core electricity business. DIVIDEND

The Directors have declared an interim dividend of 4.9p (nec) per share payable on March 1992 am shareholders on the register at the close of business mm 31 January 1992. ELECTRICITY BUSINESS

The impact in recession was made keenly felt in the industrial in construction sectors with unics distributed to industrial customers down by just under 1% while the number of new houses connected fell by some 13% compared with me same period in me Despite this, overall for electricity in the region continued as grow supported by our active marketing of processes and applications. Units distributed increased by IIII overall with strong

growth in the domestic and commercial metron In the lime six months of the last financial year our underlying weather corrected increase in units distributed was 2.4%. The weather corrected increase in the first six months this year was 2.7%,

Our positive approach to the competitive supply market secured additional profitable and sales volume increased by 7.6%.

We maintained our emphasis on reducing and further enhancing customer service as key make to profitability. We will reach our target of reducing controllable mess by 3.7% compared with 1990/91 and reductions are achieved in our capital expenditure. Through Quality have established the basic quality systems in ensure in fulfill our commitment to continuous improvements = service.

TRADING BUSINESS following our decision at mend of year to our trading activities, make made good mount towards establishing contracting business as a separate stand-alone subsidiary. Im frave also reached agreement in principle with Eastern Electricity combine shops and servicing businesses (main 2 major main force electrical retailing. These many made enhance profitability and _____ future of these activities.

The general slump in retailing continued but, despite this, we lifted retail turnover 🔤 increased 🚃 regional market share in white goods to Following opening first "superstore" outside was region as Guildford, and expansion in out-of-cown retailing with IIII acquisition of premises within our region Chippenham and rum outside our region ## Blenchley and Bristol. **GENERATION BUSINESS**

In water announced are involvement in three major generation projects - Thames Power, Medway Power - Derwent Cogeneration. These we being developed with experienced partners and my contracts have been secured subject in project financing. All provide good equity returns and competitive power - for the Company.

Our process is to ensure that the electricity business makes increasing profits at the provides high levels of customer service. The success of this many is showing through in additional many profits during the first six months together with a reduction in customer complaints. In addition, we have taken positive steps to rationalise and trading activities and to ensure generation projects are pursued only when satisfactory risk/reward ratios mn machieved. We see confident that these activities will produce secure profit streams into the future - Southern Electric strengthens - position as a major utility providing a broad range of energy related services.

A Ross, Chairman

PROFIT IN LOSS ACCOUNT

Period I April 1991 to 30 September 1991

	HCA £m	HC	A Km	CCA	. Cm
	Year to 31 March 1991 (note I)	Half Year to 30 Sept 1991 (note I)	Half Year to 30 Sept 1990 (note 2)	Half Year to 30 Sept 1991 (noce i)	Half Year to 30 Sept 1990 (note 2)
Terriover	1,546.0	745.5	450.3	1000	650.3
Operating profit/(loss)	119.2	18,9	12.0	(6.7)	(13.9)
NGH	15.3	5.5	5.1	8.0	5.1
Gearing adjustment	-	-	-	in the	3.5
Net I	5.1	(10.7)	(13.9)	(10.7)	(13.9)
Profid(loss)	139.6	13,7	3.2	(8.0)	(19.2)
Tax (note ill	(31.8)	(4.7)	2.3	(4.7)	2.3
Profiti(loss)	167.8	9,0	5.5	(12.7)	(16.9)
Extraordinary IIIII	(5.9)	-	(3.5)		(3.5)
Profit/(loss)	101.9	9.0	2.0	(12,7)	(20.4)
Dividend	(27.3)	(13.22)	(11.68)	(13.22)	(11.68)
profit/(loss)	74.6	(4.2)	(9.7)	(25.9)	(32.1)
Carnings/(loss)	31.6p°	3.3p	2.0p	(4.7p)	(6.3p)
	10.12p	4.90p	4.33p	4.90p	4.33p
S con frame					

BALANCE SHEET

1 April 1991 to 30 September IIII

_	HCA (m	HC	i 4m	CCA	im.
	At 31 March (991(note ()	At 30 Sept 1991 (note i)	At 3D Sept 1990 (noto 2)	At 30 Sept (99) (note i)	At 30 Sept 1990 (note 2)
Fixed assets	609 3	626.3	565.1	1,226.0	1,212.6
Cerrent assets	442.9	344.3	356.6	344.3	356.6
Creditors – 61	(273 0)	(190.2)	(252.3)	(190.2)	(252.3)
CUTTERE MISSES	169.9	154.1	104.3	154.1	
Total	779.2	780.4	669.4	1,386.1	1,316.9
Creditors – amounts fall	ing			}	
פחס אבצר	(184.0)	(184.0)	(184.0)	(184.0)	(184.0)
Provisions	(50.8)	(56.5)	(25.3)	(56.5)	(25 3)
	544.4	539.9	460.1	1,139.6	.107.6
Called and capital	134.9	134.9	134.9	100	134.9
Reserves	409 5	405.0	325.2	1,004.7	
	\$44.4	539.9	460.1	1,139.6	1,107.5

DEMINEX UK OIL AND GAS LTD

US\$ 100,000,000.-

7 Years Revolving Credit Facility

for the development of Deminex Share of the Scott Field in the UK North Sea.

Arranged and Provided Westdeutsche Landesbank Girozentrale London Branch

I. PREPARATION The interior results, which are transfered have been prepared on the basis of the accounting policies adopted for the year ended 31 March 1991 as set out in the Contigury's setual report and accounts.

The financial information in respect of the year ended 31 March 1991 as shown in this in ms does not constitute scausery accounts within the meaning of section 240 of the ales Acz 1985. This information has been taken from the HCA accounts upon which the undants have made to unqualified report and which have been delivered on the Registrar of

COMPARATIVE RESULTS Comparative results for the half year to 30 September 1990 are presented on the basis of pre-forem accesses, which provide the most appropriate comparison with current trading, basing regard to the effect of the injection of debt lass the Company at

The _____ adjustments relate to interest charges on Government _____ profit after _____ £13.3m (and after a gearing adjustment by _____ CCA). Agares - poriod I April 1990 - September 1990 are

THE RESERVE OF THE PERSON NAMED IN			
Profit/(loss)	23.7	(2.2)	
Tax	(4.9)	(4.9)	
Profiti(loss) after saa	18 B	(7.1)	
Earnings	7 Op	(2.6p)	
3. TAXATION Tyrated has		🛮 basis 🔳 📟 estimated effective 📟	
1992.			

Copies of the results can be obtained from the Head of Corporate Relations, Southern Electric ptc, Littlewick Green, Maidenhead, Berks 11 3QB.

Mexican States Bonds Date 2019

THE STATE OF THE PAPER

COMMODITIES AND AGRICULTURE

Platinum price plunges as Iran taps into world's Japanese cut their losses

By Kenneth Gooding, Mining Correspondent

PLATINUM'S PRICE plunged by \$7.75 a troy ounce yesterday to close in London at \$348.65. The drop was triggered by Japanese investors cutting their on Tokyo Commodity Exchange (Tocom) contracts buy the metal m future deliv-

Even though gold fell again in London yesterday – by \$2.35 an ounce to \$357.30 platinum is now at a substantial discount to the yellow metal. Platinum for some years has usually traded at a premium to gold of up to \$100 an

Japanese dominate the platinum market and illime the begining of August have been liquidating their contracts in response to a series of bearish developments for platinum,

By Leslie Crawford in Santiago

mining group, yesterday announced a decision to inval

Blanca develop in Quebrada Blanca deposit high up in the Chilean Andes.

The open-pit mine,

metres above sea-level,

to start production

ith output of 75,000 of copper year. Cominco will

be employing mining

technique patented in Chile in

which the copper is the aid of

bacteria in a weak solution of

sulphuric acid. An

organic will gets rid of the

acid, which is recycled. The pure copper is obtained by run-

ning an electric current

Cominco has tested the new

production method at a pilot

plant at Quebrada

it is more that effec-

tive than the traditional pro-

cesses of smelting and refining.

By Emilia Tagaza in Canberra

AUSTRALIA'S COMMODITY

export earnings are to drop in 1991-92 for the first time in a

decade, according to the Australian Bureau of Agricultural

and Economics, the

The drought and week com-modity prices will to push of commodity

exports down per cent to A\$39.86n (£15.56n) in 1991-82. The table chief commod-

ity analyst, Mr Michael Kirby, said and despite considerable cost cutting, the net value of

farm production was expected.

to fall by more than 75 per cent to A\$215m in 1991-92, the low-

official statistics agency.

through the solvent.

COMINCO, THE Canadian wantsouse stocks mining group, yesterday

automotive anti-pollution catalysts and ewellery.

Sales volume on the Tokyo Commodity Exchange yesterday was the highest since May 30 when platinum fell about \$30 an ounce after Nissan, Japan's second-largest maker, suggested it had developed a catalyst based on palladium rather than on platinum and rhodium.

However, analysts -re puzzled about yesterday's sell-off because there was no obvious reason for it. Mr Andy Smith, analyst with Union Bank of Switzerland, said the bell guess was General Motors of the US, the world's biggest vehicles group, had promised an announcement today about it it to return in

Chile's biological copper project

It wasted that its promise

costs, including debt-servicing, will be modest 62 cents m lb.

The biggest problem Com-inco has yet to face is the accli-

high altitudes, where lethargy, and he

are common aliments.

r high-altitud
such Choquilimpie gold
mine on the Chilean-Bolivian

border, suffer from a very high

partners in the

venture are Enami, the Chilean

refinery and Socie-

dad Minera Pudahuel, which

patented the bacteria heap leaching technique in Chile.

Australian commodity earnings to drop

"The income slump will be

particularly must and on

wool enterprises and those pro-

wool enterprises and those producers located in the drought affected areas of northern Number of Wales at the Cucensland," he said.

Mr Kirby added that significant falls are din export and the courset the value.

In contrast, the value in

mid exports if firmed in moderately, with

strong growth in most vol-

umes more than

production at 9.52m tonnes and

wool at 841,000 tonnes.

In terms of production, the

of the year. Himm that LME

under early more and

warmaning which of nickel mare up by 1,398 put the put the

three-month metal quickly fell

\$7,150 a learning

for lower prices.

turnover of staff.

+ 1,275 + 1,275 + 1,050 to 122,600 + 1,398 to 11,322

which is primarily used in profitability. It was widely expected GM would announce more plant closures.

"What's bad for General Motors is bad for catalysts." Mr Smith pointed out. Sentiment in the platinum

market has been bearish for some time because the reces sion has taken a severe toll of the car industry. Johnson Matthey, the world's biggest platinum marketing company, forecast recently that there will be a supply surplus of 240,000 ounces of platinum in

1991 – an 8-year high. Other suggestions about the cause of the sudden Japanese sales yesterday included the fact that negotiations between Russia and the Japanese about 1992 platinum supply contracts m going on at present.

Teck Corporation, another

Canadian mining group,

shortly expected in join the group. Teck and Cominco will

be contributing \$110m 🖼 their own capital towards the ven-

ture; Union Bank of Switzer-land led syndicated credit for

The Charmia Blanca project the latest in a series of mul-

ti-million-dollar in Chile. These expected to raise Chilean copper output by at tonnes in the second half of the

decade - ■ 50 per cent jump

Mr Bryan Morris, Cominco's financial vice-president in Chile, said he did not believe

wealth of projects would depress copper prices. There are many mines around ill-world which are closing or

which are suffering from declining are grades. We are optimistic about the price of

Export earnings from the

mineral resources

forecast to decline by 6 per

cent to A\$25.9bn in 1991-92 as

export volumes rise only mar-

ginally, after many

Large drops in export earn-of oil, liquefied petroleum gas, petroleum prod-

ucts, uranium, copper and zinc

are forecast to outweigh rises or iron ore, gold and restal Fall production in 1991-92 is

estimated at tonnes, min ore at 121m tonnes, nickel at

67,000 copper ore and concentrates in the tonnes

and refined copper at Example

Close Previaus High/Low

the remaining funds.

over current output.

he said.

strong growth.

largest gas field

IRAN ANNOUNCED yesterday tantalum market. that it had tapped into the Tantalum is a heavy metal world's largest gas field, find-

ing reserves worth US\$200bn where its Gulf waters meet Qatar's, reports Reuter from It said its section, called the South Pars Field, holds 100 tril-lion (million million) cubic feet

of gas, plus gas liquids and oil. The gas lies beneath shallow waters in the Gulf. Qatar, which calls the reservoir the North Field, began producing in August. Reserves on the Qatari side are estimated at 500 trillion cu ft.

Mr Gholamreza Aqazadeh, the Iranian oil minister, sur-quoted by the Iranian news agency as saying that field was "the largest war discovery of its kind" He said the reservoir

held here 2.5bn and 3bn barrels of liquids.

"While drilling, oil layers found depth 1,200 to 1,400 metres the capacity and vastness of which are determined. However, it is remarkable," Mr Aqazadeh

He put the value of the recoverable gas at \$200bn, Tehran Radio said. Iran has M world's second largest gas reserves after the Soviet Union.

Gulf oil industry executives

said in September that the Italian firm Technologie Pregetti E Lavori drilling three appraisal into mileld in July under \$37m con-

Mr Aqazadeh said that Iran talking with several unnamed foreign firms on developing Il South Para

Tehran hoped to secure financing by advance sale of part of gas liquids from the project, I/A radio station quoted him as saving.

Paris milling wheat futures FRANCE'S FUTURES and

options exchange, plans is launch a milling and full the content in 1992, Mr Gerard Pfauwadel, Ha exchange's chairman said yesterday, reports Reuter from

He said Matif had convinced elements of the French wheat trade, including co-operatives, including traders, futures could provide a useful complement to the activity rather than a threat to the curmunity find subsidies.

Mr Marwall to to say precisely when this or two other planned new products options un currencies and a European stock index future would be launched.

Oppenheimer backs tantalum plan

MR HARRY Oppenheimer, doyen of the mining industry, is backing a project in Western Australia designed to bring long-term price stability to the

with ■ high melting point and excellent resistance to most forms of chemical attack. Its most important use as a powder for the formation of anodes for capacitors. It is also used as the carbide in cutting and, as a pure metal, 🖥 fabricated for use in chemical plant and aerospace applica-

of Mr Oppenheimer's family companies is investing in Gwalia Consolidated, an Australian group, which owns Greenbushes, one of the western world's three big operating tantalum mines. Greenbushes needs A\$29m for construction of a new tantalum processing plant and crushing circuit and development of hard rock

Work on this will start soon after Christmas and Gwalia believes that in five years time the Commence mine will account for about 20 per cent tantalum supply, I mated by then to be 3 3m lbs a year. Some A\$20m

necessary cash has been raised by the issue of convertible notes to two groups: Dunstan, a European unit that in resents Mr Oppenheimer's family interests, and Rockefeller & Company, the investment arm of the New York banking fam-

The catalyst for this intrigu-ing association was Mr lia and one of the principals in Warrior International, a small London-based merchant bank. Rockefeller owns 40 per cent of Warrior and brought in the Oppenheimers.

Funds managed by Rockefeller will take A\$15m of the notes which, on conversion, will give them 15.8 per cent of Gwalia, while Dunstan has put

Tantalum prices were extremely volatile in the late 1980s and Mr Peter Lalor, Gwalia's managing director, suggests that a damaged the metal's prospects by encouraging substitution in the capacitor market by ceramics and aluminium. So, when Gwalia absorbed Greenbushes in 1990, its strategy was to stabilise the

To this end it recently signed five-year contracts to supply

more than 2m lbs of tantalum oxide (Ta₂O₂) at a fixed price of about US\$40 a lb for the first four years with the world's two bigges tantalum processors -Hermann C. Starck of Germany and the Cabot Corporation of the US. Gwalia is also supplying Metallurg in New York and Triebacher of Austria. Between them these four account for about 85 per cent

market. "We've been able to convince our main customers that the industry will be better off in the long term by taking the volatility out of the market,"

says Mr Lalor. To fulfil its contracts, Greenbushes output will rise from about 300,000 lbs of centrates (containing about per cent of tantalum) to 400,000 lb in the financial year to June 1992 and to about 650,000 lb in the 1994-85 financial This production increase is

expected to be mainly at the

expense of tin producers in Thailand and Brazil who supply tin slag, from which tanta-lum is recovered. Processors say that it costs about US\$45 a lb to produce tantalum in this way. Moreover, they expect the cost to rise as environmental pressures increase because tin slag contains uranium.

Gwalia estimates that demand for tantalum was about 3.4m lb last year comof the tantalum processing pared with output of 2.5m lb. The deficit was made up from stocks and from production

from tin slag. Greenbushes has about 30 years of _____ Mining is by open pit methods at present but in five years time further investment will m needed to go underground. Mr Ray Lynch, Gwalia's chairman, says that construction of the new plant should be comple by October next year and the mine will operate normally while the project is being com-

MINOR METALS PRICES

Prices from Metal Bulletin (last recars in brace ets).

ANTIMONY: European market 99.6 cent, tonne, in warehouse, 1 BISMUTH: European

market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2.80-3.20 (same). CADMIUM: European free

(same). COBALT: European Imm market, sper cent, \$ per lb, in warehouse, 29.50-30.50 (28.00-MERCURY: European free market, min. 99.99 per cent; \$ per 76 lb flask, in warehouse,

110-120 (95-120). MOLYBDENUM: European free waket, drummed molyb-dic oxide, \$ per lb Mo, in ware-

SELENIUM: European free market, min 99.5 per cent, \$ per lb. in warehouse, 4.80-5.40. TUNGSTEN ORE: European free market, standard min 65 per cent, \$ per tonne unit (18 kg) WO₃, cif, 59-67 (same).
VANADIUM: European free market, min.-98 per cent, \$ a lb V₂O₃, cif, 2.30-2.45 (same). URANIUM: Nu Nuexco exchange /value, \$ per lb, U₁O₂.
7.40 (same).

SA miner studies mineral sands deposit

By Philip Gawith in Johannesburg

ANGLO AMERICAN, South Africa's largest mining house, announced that is evaluating a R920m (£160m) heavy mineral sands project on the year on whether to

The Namakwa Sands project, north-west of Cape Town, would consist of three separate facilities:

■ Mining and preliminary concentration ■ heavy minerals from a sands deposit; Further processing the primary

duce the sure zircon, rutile · And smelting of the ilmenite to produce a titania slag and a pig iron. These products, as well as the zircon and rutile, would be exported from Bay, on I west

on whether or not the project will proceed will be influenced by the availability of tax and other concessions from governannounced that it was offering special tax relief to mineral

mum of 20 wells in the north-

if results are favourable, 12 additional wells could be

drilled in the following

Anglo ways that a decision

which recently beneficiation projects high proportion of the finished

The Namakwa Sands project would be heavily export oriented with more than 95 per cent of the revenue being generated by export sales which,

product was exported.

The volume of annual exports at full production, after 2001, would be: zircon, 120,000 tornes; rutile, 34,000 tonnes; alag, 212,000 tonnes; and pig Iron, 130,000 tonnes.

The www.lades reserve is in excess of 400m tonnes of min-eral sands, which should sustain the envisaged mining

fining would extend from a line 300 metres inland of the high water mark to about 14 km inland, over a width of about 5 km.

If it proceeds, the project will be developed in three mining

operations for at least 35 years:

at full production, would be about R360m a year in 1991. stages, commencing in 1994, and two smelting stages, commencing in 1996. The estimated capital cost of the completed project is R518m for the mine and separation facilities, and R350m for the smelter, in 1991 money terms. Infrastructure costs and a fresh water pipeline would cost a further R54m.

Occidental spending \$120m on Peruvian drilling

By Sally Bowen in Lima

OCCIDENTAL is at least US\$120m 📰 new drilling operations in Peru over the wo years, following dispute with state oil producer

An agreement signed between the company and the

Mr Jaime Yoshiyama, the mines and energy minister, predicted that the would convert Peru from a net Peruvian government commits Occidental to drilling a miniimporter of petroleum to an

by Amaigamased Metal Trading

otal ____ turnover 2,590 lot

Discrepancies between ern jungle during 1992 and dental and Petroperu had hinged on a dual tariff system ensurined in a 1986 contract. Occidental was to receive one rate for "basic" production, another for "excess". Occiden tal had claimed some \$84m owing from the Peruvian

government. During the dis-

pute, oil output has fallen sharply.

Both parties hailed the agreement as another indica-

tion of increasing investor confidence in Peru. It followed just a week after the announcement that Southern Peru Copper Corporation is to invest \$300m in mining operations over the next five years.

MARKET REPORT

Aluminium prices closed the LME yesterday on covering prompted by overnight physical demand in US. Traders and that although a technical bounce in prices was always possible they doubted any significant had long-term buying interest with stocks a such a high level resterday's LME 6,425 harmon to the bar of the copper relatively steady Man York purmi opening. However, Limited should men fully respond in the sluggish background that it been depressing other make for much

London Markets

	+ or -
10.1544	
onne CIF)	+ or -
\$177-8 \$89-71 \$187-189	4
	+ 07 -
\$357.30 385.4c \$82.00	-2.35 -1.1 -7.75
101.8c 37.0c 254.0c	an .
147.15p 88.07p	-5.07° + 1.85°
\$273.5	+ 3.8 + 1.3 + 2.0
£126.5u £147.75	
45.75p 216.0m	+1.0
\$650.0z Qu 1 \$142.5	+5.0
	\$19.50-9.60q onne GIF) \$177-8 \$177-8 \$29-71 \$167-169 \$357.20 385.4c \$82.00 101.8c 37.0c 1.45.25 254.0c 147.15p 88.07p \$273.5 \$2147.75 \$2147.75 \$2147.75

r-nnggit/kg. q-Feb 1-Feb/Mar u-Jan

from a

good user buying and short covering interest to London was ideal does also about of profit-taking. In Chicago December wind tutures again set in highs in midd on tight nearby supplies, keepi named prices were unable to hold gains because of medicals problems in a having with shipments of previously wheat,

_			
NOV	R - Lond	en FOX	(S per t
i i	_		High/Low
	192.40	_	193.20 190.40
-	190.00		191.00
ug		194.40	
ct	IIIIA/00	192.00	
		-	High/Low
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4	273.3	1000	274,5 273.0
	10000	100	278.5 277.5
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èc			259.0
ler"			260,1 259.5
	259.8		260.0
ILLOA	er: 🔤 🛘	(491)fots	of E
	336 (491)		
		per tonne	h: Mer 1600.26.
14.64		•	•
RUDI	E OFL - 1	PE	

RUDE ():L - 17	z	
	Close	Previo	us High/Low
b	-	18.38	18.04
ur .	10.00	18.37	18.01
			18.19 17.96
y	18.05	18.21	18.05
i		100	17.95
Index			
nover	14821 (2	4308)	
S QIL	- IPE		-
			High/Law
	175.50	178.50	178.50 178.25
1	178.25	179.00	179.75 174.50
	173,50	175,25	174.00 172.00
	169.00	171.00	169.50 168.00
,	167.00	168.50	167,50 166,75
		400 25	167.50 167.00
	167.50	168.75	101.30 101.00
	167.50 169.00	198712	169.25 168.75

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FINANCIAL TIMES SURVEY

OIL AND GAS INDUSTRY

Wednesday December 18 1991

The market's new forces

The Organisation of Petroleum **Exporting Countries has become** more pragmatic in the aftermath of the Gulf crisis. But it is no longer. heasts with a sound of the soun the only force in the market; arguably the Soviet Union today has more bearing on oil prices, writes **Deborah Hargreaves**

> HE GULF war earlier this year altered the political balance in the Middle East which is still in a state of flux it also changed the politics of oil. A more pragmatic Organisation
>
> Petroleum Exporting Coun(Opec) emerged in the
> aftermath of Gulf and is still dictating oil policy

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today.

The great surprise for industry observers was the market's break of fighting in the Gulf — dropped by a bar-rel, confounding predictions that would cause prices

and current militaria off prices and pragmatic Opec mask of tious facing II industry The world oil marbalanced surplus and shortfall and should facing factor than expected over the western win-

ter, mid capacity could severely stretched to cope.

production
continues to mid severely stretched to cope. over world markets and the announcement by the Russian republic last month that it was suspending export licences made traders extremely littery. However, this has yet to result in any disruption to supplies and it appears unlikely that exports will be halted.

At the same time, selection fear that a return of Iraqi oil to

stage, along with increasing Kuwaiti production next could precipitate a major row within Opec over a resumption of production quotas.

A seasonal drop in demand by March next year should see producers cutting back if they do not want to risk a sharp fall in prices, but as yet the frac-tious cartel has appeared unwilling to reduce its produc-tion. tion.
Opec has, in any case, lost

its dominant influence over world markets now that oil is traded internationally on traded internationally on futures exchanges across time zones. Sophisticated hedging techniques are available for companies wishing to insulate themselves from wild price fluctuations. Traders still look to the organisation for indications. tions of policy which can swiftly affect prices, but Opec a not the only

market any more.

Arguably, the True Union today has more bearing on oil the Opec, and the open to the

vest continent.

Letier oil production
been in decline for the past two
as its ell industry has
faced technical difficulties and equipment shortages, but, with production level of 10m herrels a day (b/d) it remains



The Shell production platform and loading budy on the Khthwake officeld in the North Sea

world. This is no mean feat for a continent so close to eco-nomic collapse and suggests how strong an industry leader the Soviet Union could become if it had access to western tech-

nology.

Almost every western oil company is looking for a way into the USSR, either through joint infrastructure projects or for virgin exploration. But the negotiating process is tortuous and few deals have success-fully been concluded.

The planned signing of the European energy charter this week could improve access for western companies to the

abundant resources of the USSR, but the way it will is still unclear. The charter is the brainchild of Mr. Ruud Lubbers, the Dutch prime minister, the has persuaded 35 countries to sign up with the aim of making west-ern technology available to the energy sector in the USSR and eastern Europe, and of encour-aging foreign Inventoriandesigned to help regenerate the countries' economies.

Rowever, the disintegration of the USSR and moves by the republics to extend their control over local energy produc-tion and made it uncertain

whether till the will as a whole. hydrocarbon use, nuclear safety, energy efficiency,

being implemented.

supplies
with between b/d 1.7m of crude oil and delivers and 18 per cent of western Europe's gas consumption
— inding the UK. Gas sales
have not dropped if in the
way that those of oil have, and
the USSR's importance as a gas

great as III I could clout.
The Soviet Union contains 40 per cent of the world's proven gas reserves and, along with Algeria and Iran, will be the major supplier to

Europe coming years.

Europe UK, Norway Netherlands hold the bulk of gas supplies and some borders, the European Community still from liberalising its internal gas market. Mr Antonio Cardoso Cupha, the Antonio Cardoso Cunha the EC minister, is promote competition in the

European industry, but entrenched opposition from established suppliers.

Few the III is a notable exception - have introduced any measure of competition into supply which remains the large monopolies. EC has adopted piecemeal approach to try prise apart the tnarket power of monopolies which could result in full third party - the opening up of the Eurotransmission grid to all-comers - by late in the

decade. rivatisation of British Gas in the UK five opened up the marto a smount of competition, La government la still trying to encourage rivals industry. It is currently negotiating sweeping changes British Gas's busi-

ness in a round of talks due to completed by Christmas. The district of European industry Crucial to Community's overall energy policy – above all environmental objectives.

with European Commission debating the introduction ■ carbon tax by 1993 of at first \$1 ■ barrel of oil, rising decade, we will retain its

Oil producers have, understandably, fiercely tax, ar. companies will have it to increasing calls for cleaner fuels as the environmental lobby gathers around the world. For the same war multinational III compastepping up their actively explore for gas as well as for oil – gas was traditionally viewed

product of LII exploration

It.

major oil discoveries in the UK sector I the North Sea, Mr Chris Fay, managing director of exploration in the UK, believes still large of found.
Discovered in the North split half and half of gas.
In their quest for oil gas.

IN THIS SURVEY

🗆 Oii prices: "ali 🚃 🖛 on Boris'

☐ Growth in capacity: staking the world's thirst ☐ Opec: moderates hold sway Page 1

UK gas: therm ☐ European Community:

nudge towards the free

US use clean air laws may W ☐ North Sea prospects: sweep a dustbin and

Price volatility: it's III hedge ☐ Environment: risk of energy III ☐ Ralated 4

majors are moving away majors are moving away
more mature such
as the North and into
far-flung of the world.
This so-called frontier policy
Big Toperating in Vietnam, Colombia, and
other relatively undeveloped TENDA

Indeed,
heralding a new in in it oil
industry which will it
majors being invited
of the Opec countries
which nationalised oil
more than 10 years Opec
producers desperately need
capital complete
ambitious capacity expansion capital complete
ambitious capacity expansion
years. As a result they will
turn towards big
oil companies again
partnerships.

At Manager time, producers looking for secure outlets for their crude, which them his discussions about alliances with downstream companies over the wood their refineries.

The Gulf also led unprecedented Milit between producing in consuming calities. While these unlikely is produce since w many him interests are involved, they have more of a co-oper ative environment than itindustry has seen for

Anthony Robinson, Eastern European Editor, on how the Soviet oil and gas industry is adapting to market economy conditions

Investors get the red carpet

ONE OF the greatest absurdities of the old economic system was the way it discriminated against the producers of real wealth – par-ticularly the oil and gas indus-try which has long been the main source of hard currency

earnings.

By the same token, however, liberalisation of internal prices, decentralisation and the development of markets should increase the purchasing power of producers and open the door

to greater foreign investment.
Thus far, confusion over the
shifting locus of political
authority, fundamental legal
and contractual difficulties, and contractual difficulties, the breakdown in old supply relationships with monopoly producers of pumping, drilling and other equipment and the increasing difficulty of providing food, housing and other basics to oil and gasdeld workers has led to a continuing decline in oil production and exports and frustrated expansion of the gas

industry.
In infirst quarter of 1992, however, the Russian parliament is due to examine a new draft law on the oil and gas industry which is currently an advanced stage of preparation by 22 working groups of Soviet and international oil and gas industry experts, lawyers, financiers and banks. Announcing this at an oil and gas seminar in London last week, A.S. Tishchenko, director of the leading industry research institute, said the new

legislation would "establish a legal basis for the functioning of the oil and gas industry under market economy condi-

The new legislation has been prepared with a careful eye on foreign practice and designed to attract large-scale foreign investment. This will duction of cilfield equipment, introduce and operate the lattechnology, especially in geologically or chemically complex formations and generally repair the ecologically disastrous and wasteful practices which have severely damaged many, if not most, Soviet pro-

duction areas. The remains a danger, however, the regime designed foreign investment will populist amendments in parliament from those still equate foreign investment with colonial exploitation.

Without such foreign invest-ment, however, there is little chance of reversing the recent sharp decline in oil output which fell from a peak of 624m tonnes, or 12.5m b/d in 1988 to an estimated 10.4m b/d in 1991. Production over the last quar-ter of the year alone has been running at around 10m b/d, according to estimates by Mor-gan Stanley.

In volume terms official

Soviet figures put 1990 oil production at 570m tonnes of oil and condensate from 169,000 wells, together with 748bn cu metres of gas.

While oil production fell an estimated 9.6 per cent in 1991, domestic consumption dropped by an unexpectedly low 3.5 per cent. The sustained level of domestic demand was partly because oil was used as a sub-stitute for coal during a coal strike early in the year, partly because domestic oil prices have not kept pace with infla-tion and partly because of

Under these circumstances, the burden of lower production has fallen on the export sector with a decline in exports from 3m b/d in 1990 to an estimated 2.2m h/d in 1991. Given a further sharp

contraction around per cent in domestic economic activity off off consumption should fall sharply as production at energy-intensive defence and other plants is scaled back and higher prices take effect. But production is also expected to fall by another 1m b/d next year, so the exportable surplus is likely to decline further to between 1.6m and 2m b/d,

Morgan Stanley predicts.

According to Soviet experts, the main reason for the decline in oil production is the increasing proportion of production from fields with complex geo-logical and geographical condi-

Fruderica from the bigger, simpler IIII older III has been steadily dropping. well production dropped from 22 tonnes to tonnes

while the average production rate of new wells has fallen by a third from 58 to 17 tonnes day, according to Mr Valentin Bykov, from the Ministry of Oil and Gas. Meanwhile, however investment costs have quadrupled from Rbs7.6bn to Rbs28bn Investment needs are expec-ted to continue rising fast as output switches increasingly to

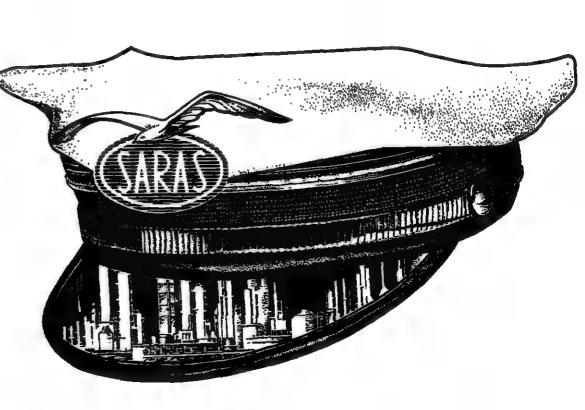
more distant, deeper or offshore sources. At the same time, heavy I is required in the oil engineering industry which not only produces technologically obsolute equipment but does so in monopoly plants in places like Azerbaijan which have been vuinerable to ethnic and other conflicts.

in theory, many military plants should be capable of conversion to civilian production of cilfield equipment on a large scale, including urgently needed tubes of all diameters. Until now, bowever, little such conversion has taken place.

The next few years however should see a dramatic in foreign participation in the oil and gas industry as authority is transferred to the republics and greater initiative is given to producers. In London this month Mr Garri Onge-makh, head of power mechani-cal engineering at the Soviet ministry of oil and gas, singled out future foreign co-operation.
These include the Tengiz field in Kazakhstan and projects in the Okhotsk sea and the Stockman gas field.

"It is envisaged that a whole set of problems could be addressed jointly with foreign firms - including the deep processing and utilisation of gas, production and deep refining of heavy oils, the development of the Okhotsk, Rerents and Caspian sea shelves as well as the oil and gas fields of western Siberia, Kazakhstan and the north European part of the country,

In the oil technology field, he added that the Soviet oil indus try, in its new republican form, hoped for the involvement of foreign firms in the production of sucker rods, ball and steel valves, hydro-electric drives, bottom hole safety valves for production wells, Christmas trees, turbo drills and a long list of other products to be manufactured in various forms of co-operative ventures ranging from joint ventures through leasing to compensa-tion deals or straight licensing



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Smoke billows out of factory chimneys to Leningrad, but there has been a sharp declin in output from the world's largest oil producer and exports have ple



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OIL PRICES

'All eyes are on Boris Yeltsin'

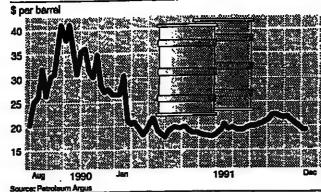
in January this year, world oil prices experienced their largest-ever daily fall of \$8 to \$20 a barrel for Brent North Sea crude oil, confounding predictions that I fighting could oush oil over \$60 a barrel or higher. Since The the has remained at more or less this level, with few short-lived gyrations upwards and downwards.

Since the Gulf war, 11 producers in the Organisation of Petroleum Exporting Countries (Opec) have been pumping oil flat-out to cover any shortfall that could arise from the lack of Iraqi and Kuwaiti oil in the market. been stretched to meet demand which - albeit stagnant in the south-east Asia and this has kept prices fairly buoyant. In addition, output from the

UK sector of the North Sea has been depressed while compaperform major maintenance will and production world's largest oil producer is in decline. Soviet output has dropped by some an tarrest a day (b/d) in the past two years experienced and is currently around 10m b/d.
Indeed, in past in months the market's

shifted from Opec policy to the situation in the South Union. Declining Soviet production and a drop in exports west, or even a halt in exports altogether, has obsessed the oil market - particularly in the wake of the August coup. When Mr Boris Yeltsin, president Russia, announced the

Brent blend crude oil price



licences for oil in mid-November, traders, fearing the worst, pushed oil prices up by about \$2 a barrel. But the market still remained confused about exactly what the action meant and prices later slipped back.
If exports from Russia which produces 90 per cent of Soviet oil - were to grind to a other producers are currently

would find difficulties in picking up lie and The Soviet Union exports 2.7m b/d 1.5m b/d the and the directed **m** eastern Europe Russian exports la slipped in recent months - the International Agency. It is oil wather fell by the first eight months of the year after output dropped from

ther by I per cent by next Feb-Over the longer term. Mr Brian Sweeney, at the manage-

10.65m to 10m b/d. The IEA expects production to fall fur-

ment consulting group, Arthur D. Little, believes the Soviet Union will play a much greater role in oil pricing. "In two years' time, the Soviet Union will be much more sophisti-cated about the market and decade, it could prove a moderating force on prices.

Meanwhile, prices are likely to rise this winter. "All major markets are well stocked wit winter heating fuels," says Mr winter heating fuels," says Mr
Stanislaw, oil consultant at
Cambridge Langer, Research
Associates, "but now the marlooking to the winter
weather — will it be friend or
foe? And all eyes are on Boris
Yeitsin, god of incremental Russian supplies. The market's anxieties are further heightened by uncertainty and Iraqi and Kuwaiti supplies nomic growth, or more accu-rately, the lack thereof."

It is still not certain what will be the effect of Mr ludings are so far taking place as usual at Soviet ports and it would, in any case, take

halt in exports to take effect. But the market remains extremely anxious about any

The weather this winter in the west will be an important factor in directing prices much the next couple of months. Mr Stanislaw believes that November oil prices, artificially buoyed by fears over Soviet production, were at least \$2 a barrel higher than dictated by market fundamentals.

He expects prices to rise by \$1 to \$2 from the current level of some \$22 to \$23 a barrel for Brent this month as the colder veather sees companies drawg down their oil stocks. However, if the weather this winter were normal or warmer

than usual, that could keep prices low. Many observers are fairly sanguine about price levels until February next year when - barring unforeseen circumstances - they could weaken substantially demand moves into a seasonal decline and producers continue

to pump oil flat-out.

the second quarter of production from Kuwait will be higher and Iraqi crude could start to reach the market. Kuwait's oil minister currently producing b/d and plans w increase output

level of between 1.5m b/d and 1.7m b/d by the end of next

At the same time, Iraq has said it could export 1m to 1.5m b/d if sanctions were lifted and Baghdad is confident it will be capable of producing its full Opec quota of just over 3m b/d by the second half of next year. Baghdad is currently resist-

ing a plan agreed by the United Nations to allow it to export \$1.6bn-worth of oil to earn cash for humanitarian needs. The regime believes the plan to sell the oil through UN auspices will give the body too much influence over 🔤 internai affairs and there even reports it has been burning crude rather than agree to the

But the uncertainty iraq's return to the market and the internal wrangling it will create inside Opec is worry hanging over the market for early next year.

Opec faces some tough nego-tiating if it is not to see oil prices eroded next spring, but disruption in the Soviet Union could was a me organisation's rescue if exports drop enough to buoy prices and make way for a return of Iraq

Deborah Hargreaves | mends, about 10 per cent

Moderates hold sway

Michael Bond on the growth in capacity

Opec aims to slake the world's oil thirst

MOST EXPERTS agree that the world's thirst for oil will grow substantially in the next decade. Many mature fields will soon run low, unleashing an intensified scramble for new fields and to improve the yield of existing ones. Most of this growth will occur in Opec countries, because costs are lower and Opec nations have

Opec today produces about 22.5m barrels a day (b/d), only 38 per cent of the world's 60m b/d; the Opec Middle East contributes barely 25 per cent. But if the world's proven reserves of one trillion barrels tion), 77 per led lie in Opec countries, and 65 per cent in these are in the Opec Middle

"Oil resources have never been summer and an unlikely to be so in the next decade at says Sheikh Ahmed Yamani, now chairman of the Centre for Global Energy Studies in London. "What usually causes concern is the fact that capacity [maximum potential production] is either inadeq and or too great." above expected production. During 1991, with Iraq and Kuwait out of production, Opec nations have been operating at 97 per cent capacity, that is to say with only 3 per cent spare capacity rather than the 10 per cent recom-mended by Sheikh Yamani. "This tight situation," says Opec's Dr Ibrahim Ismail, "is becoming alarming, since any supply disruption may lead to crude shortage and conse-

quently a sharp rise in crude prices." And Opec's producers have learned the inverse side of supply and demand: that rising prices shrink demand. By 1995, however, Dr Ismail estimates that Opec will produce 26m b/d, with a spare capacity of \$4 per cent. By 2000 it will produce over 29m b/d, with spare capacity of per cent — similar to its per cent — similar to its 20-26 per cent range during 1988-89. But here the similarity ends: whereas total Opec capacity about 27m b/d from 1984-90, it is expected to the control of 24m b/d in 1998-1998.

rise to 34m b/d in 1995 and 38m b/d in 2000, of 26 per cent and 41 per cent respectively. **Deborah Hargreaves** on the mood inside Opec

respectively.

To provide in this enormous capacity rise, Dr Ismail notes in the second expansion programmes will be undertaken by the members.

This additional spare "will be adequate to stabilize the oil market and keep prices of mediants land" he adds at moderate level," he adds. "When there is lot of criticity, no-one wanted it,"
If the fillip Starling, head of the oil industry division the International Energy

Agency. "Still, we remain confident there'll be enough to meet demand." In fact, he adds, there may be "a ten-Mr Robert Esser, a senior consultant at Cambridge

Energy Research Associates, also predicts that "supplies will increase rapidly, most notably in Opec and Gulf countries." The biggest surge, he will be in return to capacity in Kuwait and Iraq, but unlike Opec, he feels there will be a am b/d increase in countries from 1983 non in countries from 1993 to grincipally in the UK, N Brazil and Mexico. In the UK alone, he adds, its discovery of "larger than expec-ted fields such as Nelson Petrol and Scott, with over 400m barrels each," will bump up

Among Opec members, only Ecuador will not add to present sustainable production capacities by 1995. The largest single increase will be in Saudi Arabia; with a present sustainable capacity of 3.15m b/d, it will add 1.85m b/d by 1995 and another 1m b/d by 2000, an overall 35 per cent

As with most countries, Saudi Arabia's increase will be based on new discoveries, and water pumping and other "enhanced recovery" tech-niques to augment production of existing fields. In Iraq and Kuwait it will also include res-toration of oil installations and wells damaged during the Gulf War. Of the investment readed \$12.1752 along would needed, \$12-17bn alone would go to Saudi Arabia, and go to Saudi Arabia, and another \$10-16hn to Iran, primarily, Opec, because the per barrel in increase capacity is lowest there.

"It is conomic," Dr Ismail , "to develop new olifields rather than the property of the period of

than invest in mature fields, in man to maintain or reduce the rate of decline in produc-tion. In other was it may be mature oilfield using enhanced recovery techniques or additional drilling, rather than develop a new cilfield, especially when the latter is in a remote area, small in size and/ or relatively deep." But "aggressive reservoir

management," says Mr Ess will also increase production totals. Not only were some fields postponed due to low crude prices in the mid-1980s. but total recovery in others is likely to higher than was once expected.

Expanding capacity is expensive: it costs about \$10.000-15.600 for every barrel/ day that is added to sustained capacity. Thus, Opec estimates, enlarging 1995 capacity by 4.95m b/d will cost \$50-77bn. The Centre for Global Petroleum Resources has simi-larly estimated that Gulf producers alone need about \$70hn to increase their net

required finance," says Dr. Ismail, is a major task for almost all of which are over-burdened by external debt." The heavy investment n bring new cilfields on

Producers are making overtures to cash-rich companies

stream is further cramped by the \$100hn necessary to repair Kuwait and the even greater amount needed for Iraq.

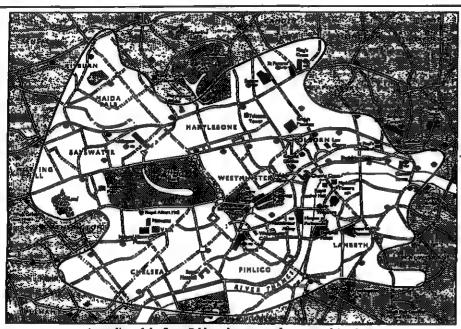
in oil-producing countries, says Sheikh Yamani, to pay for the exploration, drilling and facility and pipeline con-struction to bring new fields on stream. It is a victous circle that can be broken if the oil companies are willing to provide investment funds."

oil nationalisations of the 1960s and early 1970s. the major off companies are justi-fiably rejuctant to place themselves twice in the same trap. Although the dismantling of the concessionary system "was a historical inevitability," the skeikh notes, BP lost over 70 per cent of its crude supply; Guif and Mobil about 50 per cent, and Shell nearly half. Caught in a squeeze between

the prospects of lowered production and the lack of cash to expand it, fiercely nationalis-tic Algeria has reluctantly offered for sale part of its Hassi Messaoud fields; other producers as diverse as Veneruela, Nigeria, the Soviet Union, and even implacable Iran are making overtures to

Sheikh Yamani says for a company to invest in produc-tion ventures "it must have considerable faith in the politi-cal stability of the producing country and the willingness of its government to honour agreements." If that exists, says Mr Alfred Decrane, Texaco chairman, "there need be no conflict between the oil operator's control of his business and the host nation's responsibility for its resource

With both Opec and non-Opec producers hustling increase capacity, will the world face another oil glut, forcing down prices, and lead-ing to later constraints on production? It is unlikely, say the experts, but they acknowledge it is easier to expand capacity than to ensure it will be sold.



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leave the organisation market clout. At the same intensely annoying his Iranian ally. No one takes his threat seriously, but it does highlight a possible row that could be time, Saudi Arabia's military partnership with the US in the Gulf war made the kingdom more sensitive to President

THE GULF War did much to change the fragile balance of politics in the Middle East - it coalitions inside the one of the world's most political bodies: the Organisation of Petroleum Exporting Countries. In the aftermath of the Gulf

war, Opec has emerged as a more conciliatory body than it was before as Saudi Arabia has increasingly asserted its domi-nance over the oil producers' cartel. While Iraq remains muzzled and internationally ostracised - it will a agree to a United Nations plan that would allow Baghdad to export a limited amount of oil while sanctions remain in place -and Kuwait is still getting its oil industry back on its Saudi Arabia is the mod-eration over the fractious

Opec policies have, for the past in years, been dictated between Iraq's notorious price hawks and the furiously overproducing Kuwaitis. The military threat became increasingly pressing in meetings run-ning up to the Guif war when delegates accused Kuwait of over-production which

depressing prices.

The Gulf war changed all that — overnight has lead to the lead to t stops to meet consumer demand calmed the market and meant that prices actually experienced their largest ever daily fall at the outset of fight-

It was chiefly Saudi Arthur ability to boost output from its Opec quota 5.4m barrels a day (b/d) to over 8m b/d that quelled market fears of a sup-ply shortfall. naged to raise production to close to capacity - this brought important balance of power within the organisation had previously peak capacity levels.

All of a sudden, more light was cast on the negotiating process and, more importantly, is smaller countries recognised Saudi Arabia's massive Bush's need for moderate off prices to pull the US out of

The first Opec man after the war confirmed the body's new moderate direction: prowere kept mal and producers were all asked to cut back by 5 per cent. Mr Mehdi Varsi, O watcher at Kleinwort Benson in London, remarked: "For the time being, the US is the 14th member of Opec."

One of the nations

most from the new direction inside Opec is Iran. Mr Gho-Aqazadeh, Iran's oil minister, had long been looking for a bigger say inside the organisation as well as to escape its historical parity with Iraq in production quotas.

the Gulf war allowed Mr Aqa-zadeh. a traditional price hawk, to enjoy a closer rela-tionship with Mr Hisham Nazer, the Saudi oil minister. This was comented in May this when Mr Nazer became the first Saudi oil minister to iran in 10 years. Iran polin down meetings between the two ministers.
But the relationship is not

been totally harmonious as Iran's pressing economic prob-lems are forcing Mr Aqazadeh continue to speak w higher prices. His key concern for the quarter next year when he fears price collapse if producers themselves to their production

Saudi Arabia informal approach to production and has repeatedly called voluntary cuts in output. In addition, it will be the quota system is not based on realistic levels and should be nuch die to mail capacity

figures. Mr Nazer has not been shy of repeating his intention M never cutting back to 5.4m b/d again — Saudi Arabia's Opec swing producer. This caused a row at a recent Opec meeting when Mr Nazer threatened to brewing over next year's pro-Saudi Arabia has tradition-

quota - and his land that Saudi Arabia will not be a

ally had a more wiew of the market outlook than of its fellow producers and its demand forecasts are always optimistic. However, if produc-tion from the Soviet Union drops further winter and if the wither is colder than usual, the organisation could be from some tough negotiations over production levels. This is clearly what the Saudis are banking on. But other smaller producers

such as Nigeria and Algeria could back in incians in pushing for a return to production quotas which essentially mean large cut for laudi Arabia and only moderate reductions for countries.
Saudi Arabia could be willing to cut to about 7.5m b/d, but is unlikely to accept further reduction. The kingdom will, in any case, face a major maintenance programme which could affect some production.

Five producers - Algeria, Gabon - formed a splinter group within Opec to discuss the price differential between their sweet, light crude oil and the heavier oil produced by others in organisation. They current talks are focused on co-operation between themselves and are largely technical, there they could form a break-away

Nevertheless, Opec's hold over the world oil diminished that oil is on international fillion markets and would washands awas further if it

were to split apart. The diverse coalition has many with in past and has usually emerged Its future is probably us an important talking shop rather than as a dictator of world oil policy.

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To San TO WES

The threat to the monopoly power of British Gas

Therm wars loom

THE UK industry is to auction off week 7.5bn currently in a state M flux as nascent competitors to British seek week expand their base and the government in to break is monopoly power that the dominant utility still retains over large parts of the market.

The UK industrial pre marhas been to
nies competing with British
Gas since the utility privatised in 1986, but few real alternatives to British Gas have emerged. Now, the government is planning to throw household supply to Brit

Industry changes have presented key opportunities for Gas competitors to be the large oil companies which have access III 🚃 🛤 part of their oil discoveries. But some foreign suppliers have an interest in UK and and couple of the newly-privatised regional elec-tricity companies are diversify-

However, of main drawbacks and development of real competition lack sup-plies for rivals. The long-term nature investment in bought up

available supplies up

arge oil companies have contracted whole

The Des The state of the s

Prise dura are meth

This has maked that competihas developed a slowly be regulators a gov-would like. An inves-tigation by the Office of the Trading III year found that suppliers unlikely is achieve than a per cent than a the market in the

In a bid to free up some gas supplies in coming the government ruled in 1988 general of gas supply, industry regulator, called in company to free up some of the supply ! had already con-

tracted III take. British last year introwhich allocated gas a rivals in return for them swapping gas in years' time their own supplies available. But Mr Walling it did 💹 go 🔝 enough and discriminated against companies without swap at at the fall swap at

In a sweeping report pubnow sell off large amounts if aiready in the supply to industrial in the in effect, it means auctioning off some in

NATURAL III producers in

US are hoping that clean air legislation will

what low prices were never

The US, in many ways, is an company's dream — a

vast land mass with far-flung

cities and intemperate cli-with a large need for fuel,

both for transportation and heating. Its on per capita on than other industrialised

In the industry has been able to Marican consumers that nat-

hold up during cold winters.

in years, in indus-try's fundamentals have been

driven by in deregulation in the early in which conditions conducive a cost undercutting. Competition among interstate pipelines after the creation of

an access transportation system. I monthly

ding process for 30-day spot natural supplies left extremely gener-

The last year been particularly hard wellhead

producers. Exceptionally warm weather last December

combined with surplus pur in

storage III drive January's price down by 30 per cent and

the erosion continued through

summer, when spot prices hit historic lows. July prices

averaged just mer \$1 per mil-lion British thermal units

Furthermore, according

III Thomas Driscoll, an analyst

at Salomon Brothers, the industry had expected

price contracts in it is not

been able III revert to that.

"There's 📰 need 🖫 buy

premium price because you can buy any quantity you on the spot market. would

ally were low.

US GAS INDUSTRY

Clean air laws

may be vital

therms of to competitors in the four compared with 500m therms in far made available under the gas swap scheme. This would reduce the company to a 25 per share of the industrial market - the OFT has pointed out to the out that the Fair Trading Act I any company with more than a 25 per

ket as a monopoly.

British Gas is now involved in tough talks with 🝱 OFT over this over the proposal to a dillipipeline division into

"What happens if customers go without gas because of a glitch in the system?"

rate company up the domestic market u competi-

The has to on a method iii implement these recommendations by Christmas. Otherwise, II would an inquiry by I Monopocould impose even Stringent it.

Mr Peter Lilley, trade and industry secretary, said: "Increased competition by early release substantial supplies by British have major induswin and commercial custom-

The government since passed legislation that lowers In threahald a wind competitors supply much
opening up much
larger part of the industrial
commercial market to
rivals. Up if now, industrial have been required
25,000 therms a
year before being able to

a rival supplier.

The legislation, howreduces the threshold in
2,500 therms, meaning the commercial premises could have a sime of supplier. about 600 therms ■ year and || will be until that this lucrative section of the market

is open to competition.

British Gas is arguing forcefully that many of the consequences in OFT report have thought through. Mr Evans, chairman, recently warned dangers is gas sup-ply if British Gas is forced to implement Brit-He said that hiving off Brit-nipe

ish 280,000 mile if pipelines a separate could mean customers are charged more for gas if they live in the marih of the country rather than in north, nearer the North gas questioned British Gas's con-tinued investment in

difficult for any buyer in prove in the prudent to man 25 per cent above the spot market."

Mr Driscoll expects spot nat-

ural prices in average only per million Btu in

1991. In second half of 1 and throughout

Producers in the pricing problem by maintain-production levels as they push the higher an

attempt la soften the impact

The price collapse has not yet had the anticipated deplet-

ing effect on natural gas

technological advances, lower

drilling levels have not

resulted in a significantly lower level of available gas,

although many analysts expect a supply shortage in the long

Mr David Blegler, president ■ Enserch, ■ Dallas-based

diversified energy company, had harsh words for the

industry natural gas conference in Dallas in Octo-

since deregulation had led in a limit of pricing disci-

pline, infighting, instability, uncertainty and lack W cohe-

forces when in fact, it

would benefit by constant reminders that it is the victim

of own collective misjudge

in effect, driven most

independent players out of the industry. Ten sellers are control about a third of produc-

tion control half. But the damage has far-reach-

ing. Value Line rates the diver-sified natural industry at the bottom of in list of

Continued on Page

The depressed prices have,

This not a fragmented industry but an undisciplined

It often views
as a innocent of

support.

plunging prices.

of disruption to the market if true competition is to achieved. cent share of a particular mar-However, competitors them-

selves were almost m surprised by the OFT report British Gas - oil companies - extremely cautious about buyers for their gas and have preferred to sell in large loads to British Gas. In addition, the rise in demand for from UK power has increasingly tied up sup-

the OFT of these arguments.

prepared to accept a certain

plies.
Observers say that it II not enough for British wie to relinquish market share: rivals must also take more imaginative approach to marketing

Mr Jonathan Stern, expert at the Royal Institute for International Affairs, is sceptical of competition for Mal danger for supply if Brit-lsh Gas' domestic monopoly

These issues we social and political dynamite. Can you imagine what happens if domestic without short amount of

Deborah Hargreaves

THERE IS a case for declaring October 29 am EC-wide public holiday - European Gas Day. perhaps - which would probably be celebrated by

Portuguese commissioner. A parallel electricity transit directive was voted through by energy ministers in May 1990. but the 🔤 was virulently opposed by Germany and the Netherlands - home. respectively, to Ruhrgas and Gasunie, two of the EC's most powerful gas companies - and in the end adopted against

In the process, according to the industry, the commissioner support for the proposal by indicating that the directive not the first step towards a European "common carriage" system, which would grant all-comers access to energy

networks.
Exactly one year later October 29, 1991 - Mr Cardoso
e Cunha again addressed the EC energy ministers in Luxembourg. The Commission proposing three-step-approach to the completion of the single market in gas and electricity and third party
to energy networks.
Step one, toid the ministers,
had already been unveiled:

natural gas consumers and greeted with curses by the Community's big gas monopo-On October 29 1999, Mc

Antonio Cardoso e Cunha, the home business if it EC energy commissioner preside www it in the long announced in Luxembourg Mr Evans' negotiators are that ministers had agreed in currently trying m convince principle 📟 the gas transit directive, which should make but the OFT has indicated it II it easier for gas utilities in one country to transport their gas through pipelines in neighbouring member states.

It am a long struggle for the

three directives on price transparency, electricity

EUROPEAN COMMUNITY

Heavily-entrenched industry nudged towards free market

Such a combination of tay i-ery and sleight-of-hand is ontracteristic of Commission tectics in many sensitive areas of EC policy-making, But few areas are more sensitive than energy, and Mr Gardese e Cunha is justifiably proup of the progress no has made since taking on the portfolio three years ago, in hudging one of the most nearly entrenched and monopolistic Community industries towards

A combination of cajolery and sleightof-hand characteristic Commission tactics

the free market. Hardly mentioned in the original single market programme - perhops at indepation of its sensitivity - lineralisation of the energy senting vital to the establishment of a genuine internal EC market, according to many Commission officials. As one puts or "How can you say you have an inter-nal market if a femiliser pro-ducer in the UN doesn't have access to a gas feedstock on the same terms as a fertilizer producer in Italy - sysh if you wa broken down the barriers to the supply of fertilisers between member states?"

ienge. There is no consensus original instinct on libereijsu-ri, third party or open access, tion of the gas market and The expression "common car-push on towards open access rtage" has been quietly drapped from the Europaryon on the grounds that it implied that enisting consumers might nar e their gas supply out off in favour of new clients: The busky report on third party across by committees of

member states, consumers and industry, published in May, tasked of "approximally diver-cent points of view" among the Lebuning representatives, and "maior differences of tiew" among the gas professionals. For enample Europas, which represents the EC industry, busers that open access could confirms forunity of supply: leaf to the collapse of the important take-organ con-tracts, which it claims secure the funding of large infrastruc-

ture projects; increase gas prices and undermine the existing system by replacing it with 'creeping regulation and loss of efficiency." loss of efficiency."

By contrast. Ceffe, which speaks for the EC's chemical industry — a major energy user — says gas prices will fall as new cas companies an enfouraged into the open market and obvious before for ket. With obvious benefits for European maustry and the EC

Faced with such a lack of But Mr Cardoso e Cunha consonsus, the European Com-

indeed, to the anger of the industry, which claimed its technical objections were being ignored. Sir Leon Brittan, the competition commissioner, began to suggest that special legal powers could be employed, which would allow Brussels to adopt legislation to break up energy monopolies -a so-called Article 90 directive

Britain backs the EC's strong line, but Germany and France want the status quo

- without having to ask member states' approval
Since the summer, however, the run-up to lost week's cruleaders has made the European Commission nervous about upsetting the member states. On this occasion, Britain, which has already introduced a measure of open access through privatisation of its energy utilities, is in favour of the Commission's strong line. but Germany, France, the Netherlands and Spain all want to maintain the energy status quo. So, instead of submitting for-

mal directives to the energy

Cardoso e Cunha tentutively outlined his three stage plan for opening up the market.
It will have disappointed the

liberalisation zearots. In stage two, which should coincide with the opening of the internal market in 1993, large industrial users will be granted access to the gas networks. But full liberalisation will have to wait until 1996 at the parilest and the actual details will depend on the success of the second phase

Formal measures will be submitted by the end of this year, but it seems unlikely that an article 30 directive will be among them. That may not matter. The gas industry has alreads heen rattled by the threat of a creasing, and that may be enough to make it come quietly if, as seems incotable, the Commission suc-ceeds in pushing through an ordinary directive encouraging open access. As one senior Commusion energy official put it, before October's meeting of ministers. "You can Eight foctboll hooligans by increasing the number of policemen in the stadium. Or you can try to con-trol hooliganism through social pressure - but it's still useful that the hooligans know the

Andrew Hill

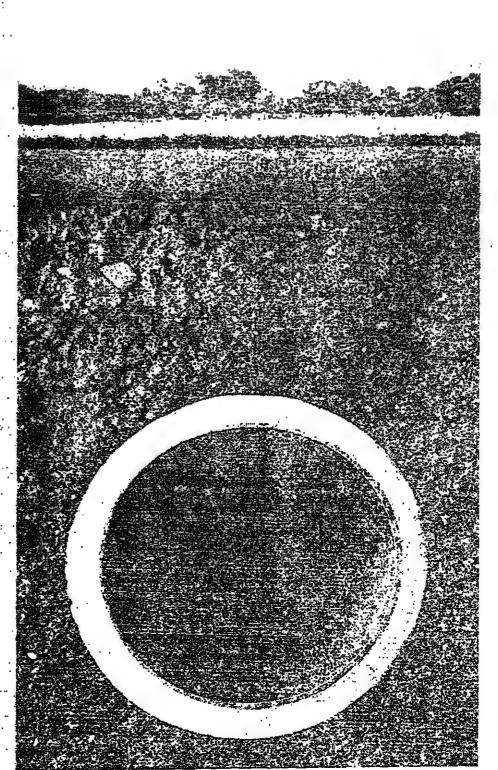
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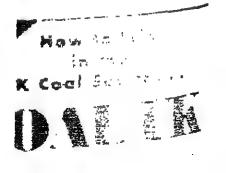
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British Gas



Sweep of a dustbin and brush

UK OIL output from the North Sea peaked late this year at over ma barrels a day (b/d) from depressed levels earlier in the year was heavy burden of maintenance work shut down oil platforms for longer than expected. Mr Colin Moynihan, energy minister, predicts a significant increase in production by 1994-95 as several new large fields come on stream.

But the recovery in oil duction masks longer-term realities in the North Sea where oil is becoming harder to find and more difficult in produce.

"It would be a very big surprise to another Brent or Forties field now," says Mr Chris Fay, managing director of oil exploration and produc-tion at Shell UK, referring to the giant oilfields discovered in the giant officers of the search of the 1970s. "It's like breaking a pane of glass: you pick up the big pieces first and then you get out the dustpan and brush and sweep up the shards. Oil companies are having to

become much more innovative and flexible in the exploit the small, dispersed oilfields they are now discover-ing. And Mr Fay's dustpan and

THE VOLATILITY of oil

prices, whipped up by the Gulf War, has finally convinced

many oil of the validity of hedging their expo-

sure to oil prices.

Many companies have tradi-

tionally viewed derivative instruments speculative,

while bankers have argued the

position: Wal not u

hedge exposure - to be totally

prices – is actually the more

Most hedgers are transpor-

brush represent the satellite installations which are set up link in small accumulations of oil to a much larger, manned mother platform. But although companies

have intensified their efforts to find oil, cash restraints this year have curbed some explotion drilling hit a record last year when 171 wells were dril-led in search of all in the led in search of oil in the UK sector of the North Sea and government confidently pre-dicted that this hailed a new boom for the province. But by late August this year, explora-tion drilling had slipped behind

last year's rate. The decline in production this year, as a result of many companies' large maintenance programmes, curbed cash flow and meant that many had cut their exploration and appraisal budgets. In addition, flerce storms swept the North Sea late in the year, forcing drilling activity to a halt.

By November,

companies had drilled exploration compared with 152 last year, according to Mr Simon Roper at Arthur Petroleum "There is still a lot of interest in me few specific areas," he "but the difficulty III year has been an upset in pro-

Oil output has been depressed this year as North Sea operators face a double burden of maintenance on their existing production plat-forms. These were built in the

A new boom was predicted. But by late August, exploration drilling was behind last year's rate

early 1970s and were designed to last about 15 to 20 years. That is how long most companies expected their fields to last. However, since then, new technology has improved oil extraction which means platforms must continue to operate, while many of them are literally wearing out.

"The Employer of the weather offshore is much greater than anyone had anticipated," Mr Fay says. "Corrosion has been a big problem, and although platforms are in great shape, structur-ally, the working parts wearing out."

In addition, in the wake of the Piper Alpha oil disaster in 1986 when a platform blew up, killing 167 people, companies are being forced to improve safety procedures and equipment in the North Sea. Many must install separate accommodation modules to provide a safe haven for workers in the event of a rig disaster.

The safety work culminates this year and next since panies must prepare a case for the Health and Safety Executive, laying out details of their safety measures and precautions. The government also requires all companies to install emergency shutdown

- cited as crucial in the Cullen report on The Piper Alpha disaster — by early next

Shell's four platforms on Ha longer than expected this year as the company completed a major overhaul. Analysts reckon must spend some £1.2bn must he next to maintain its North Fininfrastructure.

The move towards deman-

"We made the fundamental

decision this year to start phys-

ically replacing things that

were worn out instead of just

maintaining them," Mr Fay

are devoted to maintaining the

equipment. But since saving

money on maintenance is the

key to lower operating costs.

many companies are seeking to

Fay believes that almost the

entire North Sea industry

could be controlled from

onshore if it were to be set up

anew. Modern technology is

making it possible to cut the workforce on existing smaller

pla while new satellite installations, which produce of

via a large platform, are fully

ers off two out of every three platforms in the southern sec-

tor of the North Sea in the next

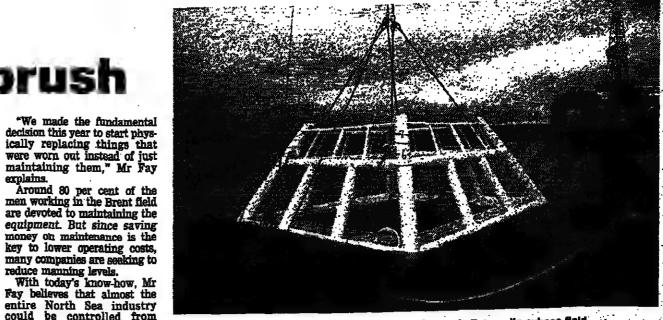
two to three years. "In 10 years, I can see the whole of the North Sea down to just a few manned platforms," Mr

Shell plans to take the work-

antomai

With today's know-how, Mr

reduce manning levels.



Cromarty Firth's wellhead protection structure for Texaco's Petronella subsea field

ning platforms can also make severely depleted fields eco-nomic to run again, giving them an to 10 years

While many of the older fields in the North Sea are reaching maturity, smaller fields containing up to 100m barrels of oil – as opposed to over 1bn in the giant fields – are still being developed.

County NatWest, the Edinburgh oil brokerage group, estimates that 4.8bn barrels of all head discovered in dis

oil have been discovered in dis-

THE OIL industry has an

impact on the environment at

burning of fossil fuels.

The industry faces mounting pressures in a reduction in

the use of oil to combat global warming, the so-called green-house effect. Oil, coal and gas

en the fossil fuels producing carbon dioxide which is the

main contributing climate change,
Mr Jeremy Leggett, director
of Greenpeace

International, IM environmen-

tal pressure group, says that

the great oil companies have to face up to difficult ethical

"Nobody - not even oil companies - will be able to

world falling apart as economies implode in the face of

rapidly escalating global warming," he says.

There is now a big drive

serious business in a

persed fields across the North Sea which will probably result in the development of 52 new fields in the next three years. The group points out that these overall reserves are more heavily weighted towards gas than previously with 50 per cent believed to be gas. If a small new field is discov-

ered close to existing infrastructure, very small accumu-lations can be developed and linked into pipelines and a nearby platform. Mr Fay reckons that within five kilometres

THE ENVIRONMENT

Risk of energy taxes

of an existing platform, an oil find as small as 20m barrels can be exploited by the use of subsea technology. The farther the distance, the more oil a field must contain if it is to be economic to develop in this

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The future of the North Sea probably lies in these small, disparate finds as well as the development of new technology to squeeze the most out of existing fields.

Deborah Hargreaves

Tracy Corrigan on reducing price volatility

It's safer to hedge

But un industrial companies are active. For exam an industrial which burns fuel oil to turn aluminlikely to hedge exposure to alu-minium than to oil.

speculative position.
The number, and range, of companies making use of Historically, most companies would budget according to ecoderivative products to hedge exposure to the oil market has increased substantially. nomic forecasts. "When many set a bud-

hedge commodity prices: futures, swaps and sptions.

The futures market offers stan-

contracts listed on

will companies," says Mr Neil Bresolin, deriva-tive sales II Phibro Energy. for the least fuel year, including forecast fuel costs, we can often sell them hedging below which budget level," says Mr Bresolin at Phibro Energy. But the profile is changing. costs are not so large a part of their have realised they can avoid a nuisance factor." The growth of the market also been by the greater enthusiasm of US banks, among the main innomination in the market, which Nearly all European airlines and a few US airlines now use

are now able to transport their risk on an open, rather than a matched basis, allowing them to increase the size of their books. Mr Brian Ford, head of the European airlines were led by British Airways and KLM, which both successfully used the market in the late 1980s. But US airlines have been held back by fears of worsening their competitive position. No single sirline is keen to hedge prices while its tal Bank, says IIII are now "allowed to hedge in a dynamic fashion, which has made priccompetitors do not, in case the market moves in favour ... ing finer". There are three main markets available for companies to

unhedged competitors. In the US, trucking fleets have become active in hedging exposure to diesel prices, mhile

such exchanges as Nymex, the New York Mannille Exchange, and the IPE, the London-based International Petroleum Exchange. Their greatest advantage II their liquidity; their greatest disadvantage is basis risk, which is the exposure m variance between similar, but not identical markets.

Basis risk is particularly high in limit market, where

Swaps have boosted - not undermined the futures market

and only a few exchangetraded futures contracts. There is no contract in jet fuel, for example, so a proxy like gas oil is used. Jet fuel trades at about \$25 m ton more than gas oil. with high in early 1989 of around \$50. During the Gulf around \$50. During the Gulf an average of \$65 and high of \$186. Airlines, banks and oil companies all suffered as a result, will one ill company believed to have 1 \$100m. Most companies prefer to hedge exposure in the over-thecounter which can pro-

lored products which suit their needs and do not require active day-to-day management. Banks and oil companies, including BP and Shell, oil swaps which allow companies in offset like exposure, including basis risk. The hands then manage the risk they have assumed, largely in the futures market. Consequently, market has boosted, right than undermined, the 💵

futures market. Technology devised in the interest rate derivatives market is also being applied to commodity derivatives, example options, swaptions,

"Commodity markets ideal for caps and floors, because there are long period of price stability interspersed with sharp price movement," says Mr John Coulter, head of commodity swaps at J.P. Morgan. There is greater blas towards options than interest rate derivative markets. He estimates a 50-50 business mix commodity options and aways at J. P. Morgan. When companies hedge interest to be says around per cent to business is channelled through the swaps market and the rest through the options market.

There is also increasing use of range-forwards or participating forwards, so structured that there is no upfront pre-mium, and exposure is limited

to a range.

Meanwhile, the market in gas derivatives is still in its early stages. In the US, where it is most advanced, Nymex it is most advanced. Nymex launched a natural gas contract in April 1990, which after a slow start is becoming increasingly actively traded, with average daily volume in November of 2,351 contracts. But the number of potential users is smaller than in the oil market because of the "greater"

market because of the "greater synergy between producer and consumer," says Mr Ford. With gas, the greatest risk is location risk, because the method of transportation is through pipelines. There have been casualties, and tealers say it market has some

ground potential.
The size of ILL OTC market in products is I'd asure, since transaction are not recorded by a central body. Mr Ford, of Continental Bank, estimates that the global market grew from \$3bn in 1988 to \$15bn in 1990. He believes the may has it this

year to \$30bn.
The global sweet market. dominated by interest rate and currency swaps, is Illamin by the International Swap Dealers Association to total around

towards energy conservation in the industrialised countries. In June 1992 heads of state meet at the Earth Summit (the UN Conference on Environde Janeiro to draw up an international convention on global warming. In the US, callfornia has

already adopted severe restric-tions on vehicle emissions. These require progressive use of electric cars and alternative fuels in order to reduce petrol consumption and help solve the severe smog problems that plague major diffe in he

Buropean Community has the objective of stabilising emissions of carbon dioxide, the main greenhouse gas, by the year 2000. This will be achieved by energy saving and discouraging the consumption of main fuels.

The EC Commission actively considering the possibility of a carbon tax on fossil fuels. That could put III on the price of a barrel of oil.

Europe's oil companies have pointed out the danger of Europe going it alone if the rest of the world does not take similar Such measures would have little ... unless the US, which burned 6bn bar-of oil in 1990 and is the world's bland producer of carbon dioxide, participated. The European Petroleum

Industry Association (Europia) says higher taxes on energy use would have a wide range

effects on the economies of EC member states including output, employment and prices, "Any unilateral actions and

every stage of its operations -extraction, refining, offshore activities, transportation and measures by the Commission could jeopardise the competisale at the pumps.
Globally, 680bn barrels of
oil are burned each year, producing 40 per cent of the carbon
dioxide which is emitted into and have serious repercussions on national trade balthe atmosphere through the

nces," it states. Without wide international agreement on energy taxes, ere would be a large Man than unilateral measures could force energy-intensive industries within the Commu-nity to close down, says the association. At the same time, energy-using industries out-side the RC could raise produc-tion to satisfy demand and thus increase total global

Europia emphasises its "strongest reservations" about any new tax on oil. It believes that research should be pur-med to reduce a term tuncer-tainty about climate change

"Unitateral actions by the Commission could jeopardise the competitiveness of European Industry*

and to broaden the scope of possible policy responses to it. big environmental danger area. This was underlined by the Exxon Valdez disaster in 1989 when 267,000 barrels of off were spilled off the coast of Alaska. However, according to the International Association of Independent Tanker Owners, total oil pollution was reduced from 1.5m in in 1981 to 600,000 in 1989 and 45 per cent of this was connected with tanker operations.

International action been taken to minimise oil spills at sea and to take swift and effective action should a spill occur. The International Maritime Organisation has agreed an international convention on oil preparedness, response and co-operation. Ships will be required to carry emergency plans for dealing with oil pollution accidents and national and regional plans will be drawn up. Counwill help their neigh-bours deal with oil spills by providing

The North Sea and the English Channel are among the busiest in the world and tankers carrying 250,000 tonnes of crude oil are commonplace.

A report by the UK National Audit Office warned: "This volume of traffic and In

increasing age of many tankers represents a significant risk of a major pollution incident occurring."
The Department of Trans-

ort strengthened aerial surveillance in these areas but there was difficulty in producing hard evidence of oil offences, particularly at night. Double hulls are required on new tankers under the US Oil-Spill Act of 1990 to minimise

the risk of spills when a vesse is holed. But this has aroused considerable controversy. Mr Tormod Rafgard, managing director of the International Association of Independent Tanker Owners, says this requirement can be counterproductive and actually increase the risk of pollution.

The International Petroleum Industry Environmental Com-Industry Environmental Con-servation Association has distributed its own guide to contingency planning for oil-spills. The General Council of British Shipping, representing 120 companies, has published an suvironmental code which covers oil. The UK Offshore Operators Association has pro-

duced its own set of environ-mental guidelines. The oil companies have their own detailed environmental programmes which operate with the backing of the chief executives and boards to awareness" throughout their

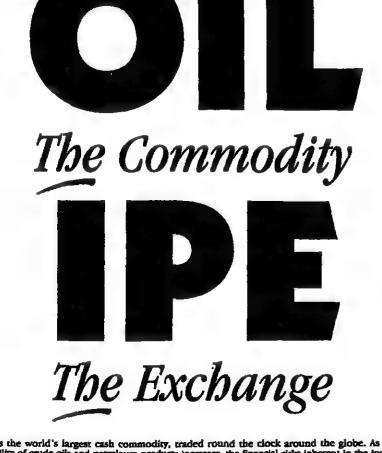
<u>organisations</u> Procedures are laid down to Procedures are laid down to ensure protection of the environment over a wide range of operations — emissions from refineries, laying pipelines, the impact of new plant on surrounding areas, flaring of oil and the cuttings which spread on the seabed as a result of offshore drilling. result of offshore drilling.

Conoco, a subsidiary of Du Font, has announced a pro-gramme of nine environmental initiatives. These including reducing toxic air emissions and hazardons solid waste by one third by 1933. With Sonthampton University it has ploneered a method of cleaning only water from drilling cuttings in its offshore

Mr Constantine Nicandros. president of Conoco, recently warned that unless top man-agement gives priority to the environment the initiative would pass to "green" pres-

"This could lead eventually to a threat against the contin-ued viability of our business and a threat to economic growth and improvement in the standards of living of the world's population," he said.

John Hunt



Oil is the world's largest cash commodity, traded round the clock around the globe. As price volatility of crude oils and petroleum products increases, the financial risks inherent in the industry are becoming increasingly difficult to control.

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as Brent crude oil and gas oil traded options. Already, you can access IPE's futures and options contracts from 9.15 a.m. to 8.15 p.m. London time – non-stop trading for 11 hours every day. In addition, the Exchange is pleased to announce the advent of the unleaded gasoline futures contract early in the New Year.

The International Petroleum Exchange has built up a solid reputation for providing a secure and regulated environment with quality of service, efficient execution and price transparency. In recent years, the IPE has experienced

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US gas industry Continued from Page 3 industries ranked for timeli-

Meanwhile, a national energy strategy is still evolv-

ing.
After a wide-ranging energy
bill was derailed last month, several said they would press for legislation that would concentrate on conserand the use of december resources, such as natural gas. There another glimmer hope on the horizon for US gas producers. The industry may be an unintended beneficiary of in 1990 Clean Air Act Under the terms of the act, US quality must in the next

According to Mr Driscoll, and many other observers, the two most significant opportunities for the industry are for increased use of natural gas at electric utilities in must the rain provision

Clean Act higher natural a clean burning fuel in

The growing US environmental lobby tends to favour gas over coal and nuclear as a cleaner, cheaper source of energy. But it will still be up to the gas industry to stimulate

Compressed receiving more attention and an alternative to petrol, as governments and busine start looking at ways 💵 comply in increasingly stringent regulations. In California, which is implement-ing some of the strictest clean rules, car exhaust is held responsible for about half of the smog in the state's cities. From 1994, new cars must be only half m polluting as current models.

It a expensive to pressed gas, but the big auto built to run in compressed gas.

A more serious problem is the lack of facilities at US filling stations despite the need for these cars to be refuelled at relatively intervals.
Ituting compressed
petrol in vehicles will probably become a leafle option in the future, but it is

to the industry in the short For the next few years, Mr Driscoll expects cut-throat competition to continue, with a gas surplus continuing to depress average year-round prices. However, he expects tighter supply/demand rela-tionships to develop in the winter months which will allow

peak prices to move gradually higher.
"In the long term, the supply won't be there because people simply aren't drilling," he says. Karen Zagor

FINANCIAL TIMES

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LONDON STOCK EXCHANGE

Share prices continue to drift lower

By Terry Byland, UK Stock Market Editor

DEEPENING gloom among building and store shares summed up the mood of the UK stock market yesterday. Share prices continued to drift lower across the broad range of equities as worries about the crisis in the domestic housing market and apparently slug-gish pre-Christmas trading on Britain's high streets undermined hopes of an early recovery from the UK economic

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Trading volume, measured by the Seaq electronic network, showed marked increase but traders much of this much a host Pictorn Be a con bear con the leave of the l tax-related deals; early morning list of mumber of repurchases of stock sold at the close 🖃 the previ-

The FT-SE Index was in neg-

Account	Dealing	Deten
Pirot Declings: Dec 9	Dec 30	Jan 15
Dec 23	Jen 9	Jan 20
Linet Peelinger - Dec 27	Jan 19	Jan 24
Account Days Jan 5	Jan 20	Feb 3
New-time cleaning	s they take	pines ker

trading and would but in the firmness the blue chip internationals which benefited from the steadier tone on Wall Street overnight. With the Dow only 7 points off early in the new session in New York, London tried to rally from its earlier fall of 14.4 on the Footnie scale. However, with the institutions still largely absent from

the UK market, the PT-SE Index ended 7.9 down at 2,432.9. Traders and chart specialists still see the FT-SE 2,400 mark as a very important benchmark. If this level is abendoned, the market is believed to he vulnerable to a heavy setback down towards the 2,300

Seaq volume for the day 569m shares, compared with only 358.7m on Monday when the stock market, like the rest of the City of London. was severely handicapped by problems with commuter rail networks.

More than 100m shares were traded across Sean by 9.00am, twice the level for the same period on Monday and confirming the presence of the tax deal buyers. A large deal in shares of British Steel provided a feature of trading yesterday. Hopes that Wall Street will be encouraged by an early cut in US interest rates brought gains in Glaxo and Reuters but there was not much activity behind modest gains in the other dollar stocks.

The building and construction sector, already battered this year by interest rate sures, suffered a further on reports of alarming increases in the repossession of UK dwellings from mortgage payers unable to continue financing their loans. Nervousness was fuelled by reports that pressures are being brought to bear on Britain's building societies to convert some mortgage interest payments into rents. Some of the leading mortgage lenders were reported to be strongly critical

Barclays de Zoete Wedd, one of the largest players in the sector, told clients last night that If saw no Carra in mann. mind werran the actite contracting falls. There were widespend falls in the tion in the yesterday, with Mowlem particularly hit.

Store shares remained depressed by fears that pre-Christmas sales are sustained largely by heavy price discounting, when the result cloud over the rise in retail sales for November which was reported this week. The Central Statistical Office (CSO) warned that the November retail figures could have been inflated by as a second as III per cent by factors connected with the method of compiling the

FI-SE III BAN 2 and 200 ●Earning ●P/S 4 7.50 54.49 16.93 SEAC Bargns 4.45pm Equity Turnover(Em)† FT-SE 100, thanges

Dec Dec Dec Dec Dec Year 17 II 19 III 11 Ago 127.4 49.18 (9/1/35) (3/1/75 90.58 (2/1) 105.4 50.52 (28/11/47) (3/1/75) 97.49 (16/12)SALS 1984 WILL 1848.6 WAS 1983 (16/1) 1000 50A00 - 15-222.8 127.0 100 (25/10/71) 2879.8 986.9 (16/1) (2/9/81) (23/7/84) 100 (16/1) (3/9/91) (16/1/91) (3/9)100 co. Sec. | Free of 1922, October 1773S, Gold rever 1744 and 1922 7,61 Ç, 11.81 & FT-SE Europack IIII WAR OF HE 742.39 22.819 742.39 1113.54 20.828 GILT EDGED ACTIVITY Indices* Gilt Edged
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FINANCIAL TIMES STOCK INDICES

Heavy the North & setback in Doborah Hargrea_{lle} Mowlem

A SUBSTANTIAL downgrading by Hoare Govett of its profits forecasts for John Mowlem, the contracting group, produced another in shares, which their lowest limit for more than five years. Hoars is Mow-lem's broker. Hoars's building team low-

ered its current year estimate from £15m to £10.5m and that for next year from £20m to £15m, blaming very weak scaf-folding prices in the UK mar-ket for the cut in estimates. Mowlem shares dropped like a stone, closing 19 off III day's low II 157p; turnover

came to 883,000 shares.

BZW also reduced its forecasts for Mowlem, shifting the 1991 number from £17.5m to 210m and that for 1992 from 216m to 28.5m. The broker described Mowlem as "particu-larly late cycle; this influences us much more than the strong

Glaxo wanted

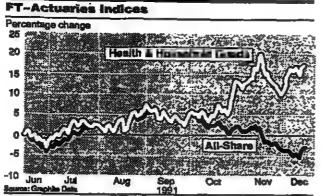
Pharmaceuticals group Glavo rose sharply to end the day as the best performer in the FT-SE 100 Index yesterday. The shares, firm in the morning, ran up quickly in the after-noon to close 19 ahead at 829p

on turnover of 2.9m.
For once, the interest was
not sparked by US investors.
Marketmakers said the traditionally strong US interest had
died away but one house was very active in the London traded options market and was trying to pick up shares to

The shares also benefited from expectations, that an ate said it cutting principal competitors, Astra, would be published in the

Lasmo strikes

Lasmo's to win control Ultramar reached fever pitch and of today's deadline bid. To preda-tor acquired 12.3m shares yesterday apiece management apiec



As economic gloom settles over the London market, investors have drifted into classic defensive areas, and the ever popular Health and Household sector has once again outstripped the FT-Actuaries All-share Index over the past three months. The gap has been widened by the continuing enthusiasm of US investors for a number of stocks, particularly Glaxo which, in spite of its high rating in London is still considered good value in New York. Also, several companies within the sector — Glaxo, SmithKine Beecham and Wellcome — have produced positive naws and statements over recent weeks.

sibly tilting the finely belanced to Japanese steel mills.

bid in Lasmo's favour.

As the deal was being struck there was some confusion as to the possibility of a counter-bidder being in the market. Ultramar shares moved up to 267p while the trades were being recorded, before closing a net 14 higher turnover reached 29m. Lasmo dropped

28 to 255p. suggested the Lasmo represented failed raid, but said Lasmo's brokers had been offered the line of stock from institution which previously had signalled its intention to reject the bid.

Mining and industrial group

RTZ the state of the poorest
performances in the FT-SE
index with the shares coming reports substantial profits downgrade and that the company's 49 per Australian associprices for iron ore sold tracting shares were given

ing an some very large lines of stock being touted around after a welter of profits and dividend downgrades by many of the leading broking houses. Kleinwort Benson was said

to have alerted its clients to the increasing possibility of wholesale dividend cuts in the sectors, while brokers such as Charterhouse Tilney, BZW, Credit Lyonnais Laing and Robert Fleming Securities were said to be reducing numbers

thorough shaking by market-

makers anxious to avoid tak-

the construction sector, chop-ped profits estimates for Amec, Costain, Higgs and Hill, Laing, Mowlem and Wimpey, and said it saw "no pick-up in new work 1994", and the II now had no buy recommendations among the UK contractors.

Among was last treat and Taylor Woodrow fell 15 to 113p, easily its lowest level for more than five years, as one securitles house was said to be attempting to find a home for a line of an shares. Some 4.2m shares were traded yesterday, FT-A All-Share Index

1,300 1,250 1,300 1,150 ious grades of iron ore by 4.9 to 6.36 per cent. RTZ ended a net 14 down at over reached 2.3m shares. Blue Circle (BCI), the cement and aggregates group, was one of the worst performers in generally depressed building man-rials/contracting sectors after one of the City's top agency said have crossed a large line of stock in

Equity Shares Traded Turngver by volume (million)

indicating an overhang of

A line of Costain was said to

close of 25p, a net gain of 2.

came to late to affect underlying in internationally stocks. Re har alood out, gaining 945p, SmithKine to 840p. ICI, Hanson and Grand Metropolitan all held up against a weak market.
Reckitt & Colman found a

level after Monday's forecast cuts. The shares continued to slide in the morning but buy-ers came in to pull the stock back from a fall of 10 to a net gain of 6 at 619p.

More bad news man hous-

across the board.

BZW, in its latest review of for BAT Industries. The shares fell 12 to 604p with a line of 1.2m dealt at 598p. Commodities and property

group Berisford International was 8 off at 18p, after falling to 180 at one stage.

BOC picked up 7 to 590p,
with one manufact house said
to a placed the manufact

its buy list. Distribution, manage and ingineering group Powell Duf-fryn 38 15 16 after announcing that a consortium it land, Tanade Halding Limited (THL), had made a successful £180m bid for the Tees and Hartlepool Port Authority, the first less port to

MARKET REPORTERS: Peter ann. Steve Thompson.

Other market statistics, including the FT-Actuaries Share Indices London Options,



Based on the trading volume for a selection of Alpha securities dealt through the SEAD system vesterday until 4.30pm and one securities dealt through the SEAD system vesterday until 4.30pm and one securities dealt through the SEAD system vesterday until 4.30pm and one securities dealt through the SEAD system vesterday until 4.30pm

houses. Dibital (1.892 mg

tracts), also attracted some

attention on the back of the continuing in interest in the ADE stock.

The Euro FT-SE contract

also (1,746) and Ultramar (1,142) in a busily

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets underlying in in options with the bald of 25000 orangets below even the 24,093 recorded in the previous session.
Interest in the FT-SE option

mained fell sharply, and only 4.055 recorded against 7,397 on Monday. Among the individual

options, Midland headed Ilthe idne today of the actives, 1,988 continued a main nervously a from Lasmo. In the futures sector, the December FT-SE premium loan problems . The leading

of stems 8 points aver the underlying market, but slipped back in after how trading. Dealers said that the market had been fairly quiet. with the futures playing a sub-dued role in leading market which is now lacking

NEW HIGHS AND LOWS FOR 1991

the agency cross.

NEW HIGHS (15)

SINGWERS IN (1) Greenalis.

CONTRACTOR TOWNS IN (1) Prospect Inde.

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Sobrardon Westurn IV. (3) Prospect Inde.

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ENANCIAL (1) Consigning IV. (4) Graig

Shipoing.

board. While being legal affairs, he will intellectual property

and in particular

vital with a man

tac, the best-selling

Meanwhile, SMITHKLINE BEECHAM, I Anglo-Ameri-

can pharmaceuticals group, announced yesterday Henry Wendt. 57-year old chairman, will by half his time with the company next year. Wendt says he will be looking after his other businesses, he has a winery in

nesses; he has a winery in northern Californian. He will continue to maintain

offices in London and Philadel-phia and to serve on the Smith-

Kline Beecham's corporate executive committee and cor-

porate business development

committee.

its patents on Zofran and

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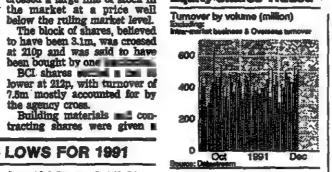
[LN], Chicat Institute ELECTRICALS (2)

Presson, Seria, ENGINEERING ALROSPACE

(1) Douty, ENGINEERING GENERAL (2) by S.G. Warburg brought the in Ultramar up par and interpreted by some market specialists 🖿 🚟

drug.

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stock.

A line of Costain was said to be on offer, with the stock price closing 5 weaker at 58p. George Wimpey dropped 10 to 122p, again the lowest for over five years.

News of the sale of its Kingsworthy Court office building to the Independent Television Commission for £2.39m cash boosted Conder to 27p before a close of 25n. a net gain of 2.

Money market moves by the US Federal Reserve, which appeared to rule out an immediate cut in US interest rates,

| Communition | Company | BRITISH FUNDS - DAIL | Color | Colo OTHER FIXED INTEREST These to File 12 to 1907. Tops: 12 to 1907. Each 10 la pt 1907. Tops: 1 pt 1907. Share 1908. Share 1908.

APPOINTMENTS

Mario steps up

Krnest Mario, chief executive of GLAXO. * 3 Europe's largest pharmaceu-ticals group, was yesterday appointed dep-uty chairman.

Although the chairman Sir Paul Girolami, who is 65, has no immediate plans to retire, according to the company—he has four years of his contract still to run—analysts say Mario's promotion is a positive step towards the number one position.

one position. Mario, 58, will continue in his present role, according to the company, but will closely with Sir Paul on ong-term strategy.

Glaxo also announced that Jeremy Strachan, the group director for corporate affairs, has appointed to the

■ John Edwards has been

the FT of December 17.

Following the move of

Edward Duke from William

chief

BEAUFORD, David Bulmer

has resigned chairman and chief and sir Trevor

National Power, inter alia, has

been appointed non-executive

Holdsworth, chairman of

appointed finance director

RAM BATHROOMS and not

of Spring Ram, as reported in

HIGGS & HILL announces that Sir Brian Hill becomes non-executive chairman and will retire at the end of 1992. John Theakston, joint md, becomes group chief executive. David Hill, formerly joint md, becomes md of the overseas construction division; he remains group deputy

■John Clark has been appointed chief executive of Starmin (England); he moves from Ciment Français.

Non-executive directors

There are fresh signs that Sir Roland Smith, arguably Britain's busiest non-executive director, is starting to take

Having stepped down as chairman of British Aerospace a few months ago, the 63-year-old emeritus professor is now retiring from the board of ERAMMER, the industrial

of BRAMMER, the installar services group.
He has been a non-executive director since 1977, and Brammer says that earlier this year he indicated that he falt he should step down "in order to have more time for his other business internal". business interests". Meanwhile, the 59-year-old Jon Foulds, a former chief executive of 31 and chairman of Brammer from 1968 and 1990, is also retiring after 11 years on the board.

John Beckwith, the co-founder of London & Edinburgh Trust, the property company, has stood down from his post as non-executive chairman of RUTLAND TRUST, the financial services group

The job will be taken by Admiral Sir Raymond Lygo, who was chief executive of British Aerospace until late

Beckwith has resigned as chairman to spend more time on the international property interests of LET. He has continued to run the company, with his brother Peter, following its £500m agreed

takeover by SPP, the Swedish group in April 1990. LET, which has half its portfolio overseas, is seeking investment and development opportunities in Europe, the Far East and the US.

SPP owns \$5 per cent of Rutland Trust, which it acquired with LET. Rutland's profits fell in the year to June as a result of fewer opportunities in property finance and bids and deals.

Other appointments are:

wheny knowl to
WORTHINGTON. Knobil's
career has been spent in the
textile industry; after eight
years with Marks and Spencer,
he founded Textured Jersey
in 1984 and sold it to
Chartenbell in 1882. Charterhall in 1989. He is a director of Strong & Fisher and and associate of the Central Trust Co. # Sir Gordon Jewkes to the HOGG Group. He has retired as consul-general and director general of British trade and investment in the US. Sir John Greenborough is retiring. ■ Ian Inglis, a partner with Shepherd & Wedderbur, Edinburgh lawyers, and Andrew Irvine, senior partner of Jones Land Wootton, Edinburgh, to CLYDESDALE INVESTMENT TRUST. Paul Holden, of Financière Indosuez, replaces William Kerr, who has resigned from Banque Indosnez, at WENTWORTH INTERNATIONAL. Bob Mental Silled from FAIRWAY (LONDON).

EUROPEAN COAL AND STEEL COMMUNITY

US \$ MANAGE GRADUATED RATE BONDS DUE 1999 The Commission of the European Communities informs herewith the armual redemption installment due January 15, 1992 covering a nominal amount of ITS \$

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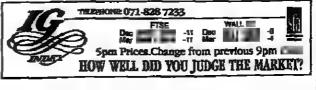
3831-3833; 4142-4181; 4187-4179; 4551-4671; 4750-4756; 4771; 4773-4847; 5072-5117; 5137-5152; 5155-8165;

The bonds are misses at pay are larger in the larger and January 15, 1985. The bonds selected by for will be reimbursed after after January 15, 1992 with coupons on January 15, 1992 and losowing attached in a second terms of payment mentioned on the bonds.

The principal amount of bonds outstanding 📖 🚛 🚛 🚛 anuary 15, 1992 will be US \$ 38,000,000.

Luxembourg, 18, 111







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Arenbergstraat 7 B-1000 Bru-elles

DG BANK LUXEMBOURG S.A.

A\$ 75,000,000 14H Notes of 1988/1882

ISIN: DE 0004859905

Notice of Final Redemption

on 9th January, 1992

in accordance with paragraph 1 (1) in im Terms in 1 Conditions

of the above-mentioned Notes (the «Notes»), the Notes will

Repayment 🔳 🔤 Notes will 🗺 made 🛍 from 🖭 January, 🐃

Principal Paying Agent

S.A. Luxembourgeoise
43, Luxembourg
The Duchy L Luxembourg

Other Paying April

Royal Bank of Canada

71, Queen Victoria Street

UK - London EC4V 4DE

in accordance with paragraph 4 III III Terms IIII Conditions of

The limit of the l

interest coupons on January, will be separately

Luxembourg, The Grand Duchy of Lux

redeemed in the on Italianuary, 1992.

DG BANK Deutsche Genossenschaftsbank

Am Platz Republik D-6000 Frankfurt Main

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For and Im behalf of

Luxamboura

Luvembourg, in December

DG BANK Luxembourg S.A.

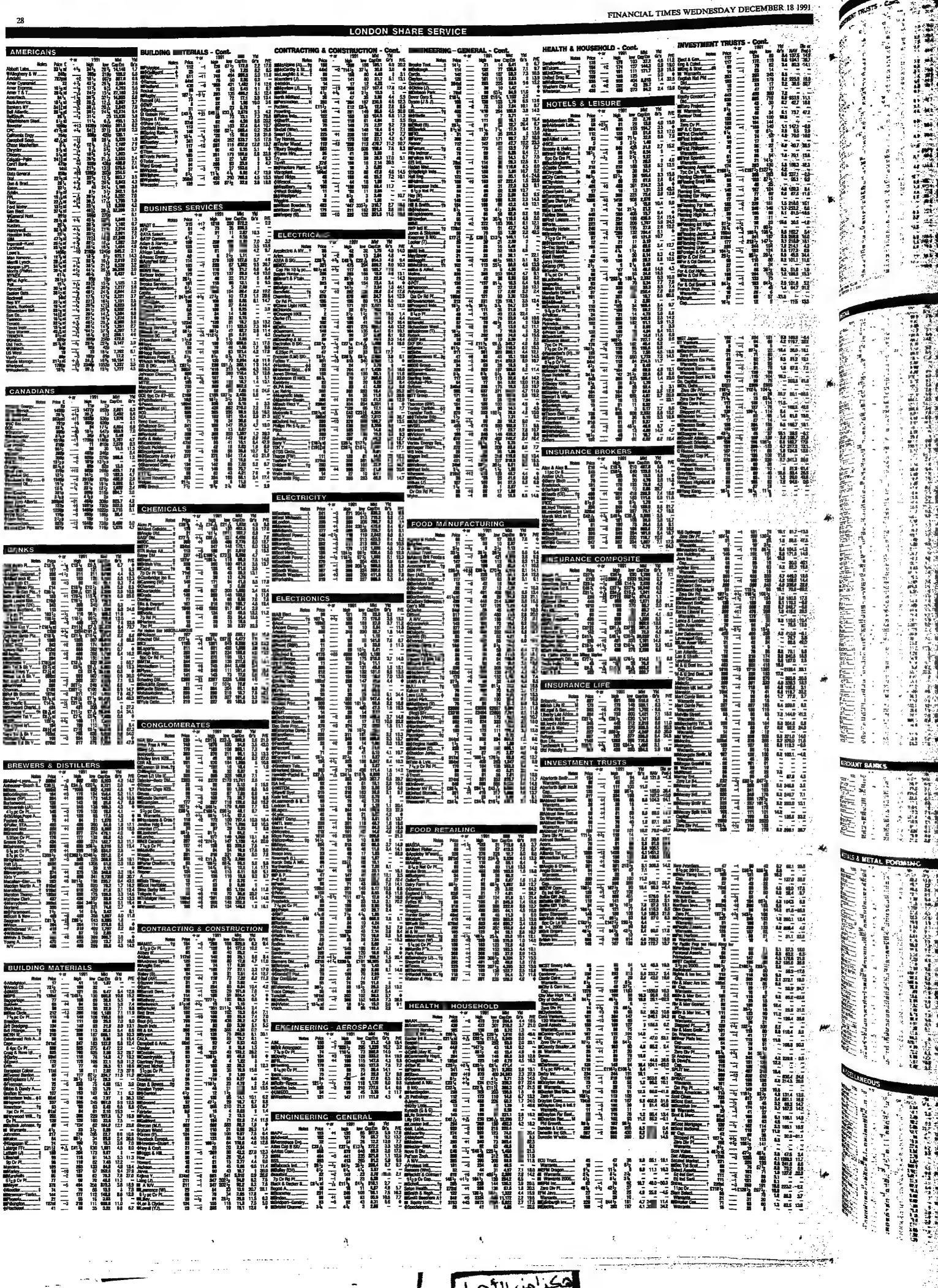
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AND

FOREIGN EXCHANGES

Dollar recovers on Fed move

weakness of the economy came in a US newspaper report. According to the report, Mr Alan Greenspan, Federal

Reserve chairman, now

believed tax cuts and increased

Sterling was helped by the

report said.

THE DOLLAR finished unchanged on the day but above its lows after the Federal Reserve surprised the market by draining liquidity from the credit system, which some operators interpreted as a signal that there will not be an early cut in American interest

The key overnight money rate - Federal funds - had been trading below the Federal Reserve's presumed target of 4½ per cent. But thoughts an immediate lowering of interest rates appeared to be ruled out after it drained funds by overnight matched sale pur-

chase agreements.

The Fed's move attracted several large buyers into the market and with many operators short of dollars, a developed and forced the US unit up to DM1.5780, from DM1.5650 earlier and DM1.5785 the previous close. The dollar was higher against the yeu at Y128.60 from Y128.45.

Many dealers still believe,

however, that a cut in the dis-count rate is likely later this week. Earlier in White spokesman Mr Marlin Fitzwater in from practial standpoint

This followed modest drop in housing starts in November which underlined most economists' belief that after the brief

	IN	NEW	y	ORK
c.17	Т	Latest		Preside

Dec.17	Latest		Close			
5 Spot	1.6200 - 1.621 1.00 - 0.98s 2.75 - 2.72s 9.85 - 9.75s	m 1	245 - 1,6255 .00 - 0,98pm .70 - 2,67pm .70 - 9,60pm			
Forward prantises and discounts apply to the US dollar STERLING INDEX						
		ML.17	President			
8.30 am 9.00 am		91.5 91.5	91.5 91.6 91.6			

11.00 am	914 914 914 914	91.6 91.6 91.6 91.6 91.6
CURRENCY	MOVE	MENTS
Dec 17	Best of Epigland Index	Charges &
Sterling U.S Dollar Canadian Dollar Austrian Schilling Belgian Franc	91.4 62.1 103.8 110.4 112.3	-20.3 -16.9 +2.0 +12.3 -1.5

Dec 17	Bank # rata %	Special ** Drawing Rights	Europeus † Cerrescy Light					
Sterfing	- 5225 7725 875 875 875 875 875 875 875 875 875 87	0.764923 1.40203 1.60306 15.60308 45.6331 1.61898 2.21689 2.21689 2.21689 2.21689 1.80301 1.95754 N/A	0.710853 1.29654 1.46256 14.3475 41.9754 7.92856 2.29721 6.95503 1539.97 166.346 8.01652 127.905 7.44345 1.81550 0.764742					
& Bank rate refers to control bank discount rate. These are one protest by the UK. South and imited.								

Dec 17	£	- \$
Argentina	18065.5 - 18094.7	9900.00 - 9910.00
Australia	2.3565 · 2.3585	12920 - 1
	med a series of a medical or	4,2520 4,2620
Greece	326 450 - 331,700	
Hong Kong	14 1760 - 14 1895	
Kornal Siliki	117.90° 1372 30 - 1394 40	68.70
Kuncit	D 52030 - 0.52100	753.50 - 762.50 0.29550 - 0.2858
Intempourq	58.80 · 58.90	32.30 - 12.40
Makysia	5.0020 - 5.0100	2.7450 - 2.7470
Mexico	2546.15 - 5552.05 1,2005 - 1,2000	3040.00
South Ar		1.8035
Singagore	3.0005 - 1.0075	16450 16480
S.Al (Car)	5.0450 - 5.0570	27675 - 27690
S.Af (Fe)	6.1430 - 6.2480	50.00
Tahvan	46.85 - 46.90 6.6585 - 6.7355	20.0
	. Floating rate £-2	ALL SALES

MONEY MARKETS

UK MONEY nim were firmer yesterday as sterling weakened against the D-Mark as the

money markets in sed for

early recovery in 1992 and the

figures released the previous day for manufacturing output in October indicated the

economy had moved back into

the day by a modest recovery in the US dollar but sentiment

in the interest mu market

remained depressed. Sterling's

exchange rate index

finished down 0.1 at 91.4, while

inside 🔛 ERM it was still 🔳

contract fell 5 points in

which was in file

expect or cut in interest rates before the end of

The March short sterling

the bottom.

Sterling was helped late in

UK rates firm the first quarter of next year.

At the very short end of the money market, overnight money rates were firm as technical end of year drained liquidity. A large money shortage was forecast by Bank England again yesterday.

The towns liquidity The key I months interbank at 10%-% per cent from 1041 per cent in the previous session; six months The room liquidity money was at 10%-% per cent from 10%-% per cent; and one year money was up 1 at 10%.

The markets were continuing to respond to the recent Confederation of British Industry survey which saw no

short-fall was accounted for by the Bank buying back of Treasury bills and the unwinding of late assistance. US money rates were firmer as the markets continued to discount a cut in the discount rate this week. But the Federal Reserve's unexpected move to drain liquidity from the credit UK clearing bank base lending rate 18.5 per cênt from September 4, er 4, 1991

system, caused overnight rates for firm slightly.

The March Eurodollar contract in London finished at 95.63, up 5 points in the day. But in Chicago, Eurodollars fell back slightly after the Fed drained liquidity.

Federal funds trading at 11 per cent at the time of the Fed's move, down slightly on the day and below it's presumed 4% per cent target. In Germany money rates were firm December tax payments began to absorb liquidity from the banking system. Money dealers said

they expected the drain on funds to continue to build up this week. Call money quoted at on the day, although bids

reached 9.05 per cent.

worries that the UK economy was following the US back into recession undermined sentirespite during the summer, the US economy has fallen back Further evidence of the policy maners concern at the

Analysts noted that the mar-Analysis noted that the market was also beginning to worry about the political standing of the government, while remarks by Mr Norman Lamont, the chancellor, ruling out ing to wear off.
Sterling climal lower in

government spending were necessary to revive confi Sterling 11 10wer at DM2.8725 from DM2.8725 and at \$1.8215 from \$1.8205. Sterling also remained at the bottom of the ERM, with 11 French franc, which is second from bottom, 0.87 per cent above it, compared with 11 per cent at the previous close In the past, Mr Greenspan has opposed "pump priming," Aside from the dollar's late

recovery, markets stuck in quiet pre-holiday rading for much of the day. "It's probably be like this all the way up to Christmas," said Mr David Cocker Chemical Bank in London. the previous close.

Within the ERM, us mark was firmer on short-covering before the Bundesbank counci meeting tomorrow. The market is still uncertain whether the dollar's late burst of strength. Earlier in the day, the pound had drifted lower to DM2.8690 Bundesbank will raise interest rates - some still expect a 1/4 point rise to 9.5 per cent.

EMS EUROPEAN CURRENCY UNIT RATES						
	Ecs Central Rates	Carretty Assostis Against Eca Dec 17	% Dunge front Central Rate	"4 Spread us Westerst Correccy	Observation hadicates	
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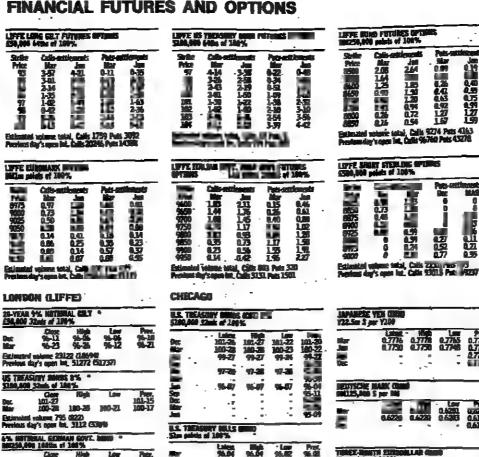
MONEY RATES

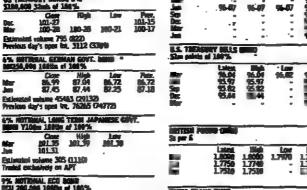
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FINANCIAL FUTURES AND OPTIONS





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BASE LENDING RATES

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... FTSE 100 ... S & P 500 ... IF YOU HAVE A VIEW, TAKE A PARTIE ECL CONTACT: ARREAN FRANCE ON 971-265 9000. BCO FOTOMS PLC, 29 CHEMAN PLACE, SWIX SHL DEALING HOUSE FROM 8.00 AM TO 9.15 FIX

Currency Fax - FREE 2 week trial



Cardiff Automobile Receivables Securitisation (UK) pic

£328 million

Floating Rate Notes Due 1995 in accordance with the provisions of the Notes, notice is hereby given that on the next interest payment date. being 27th December, 1991, there

are no available Redemption Funds. Hence, no Notes will be represented on that data. The principal value of the Notes outstanding will therefore remain at \$322,640,000. Chartered West! B Limited

Agent Bank

Please contact **171-873** 3308 or write to her at

The Financial Times, One Southwark Bridge, London SEI 9HL.

Correction Notice
STATE BANK OF SOUTH AUSTRALIA

Yen 1,000,000,000

Guaranteed Floating Rate Notes due 1994

unconditionally guaranteed to The Treasurer of the State

The Nippon Cradit Bank, Ltd., Tukyo Agent Bank

THE BUSINESS SECTION

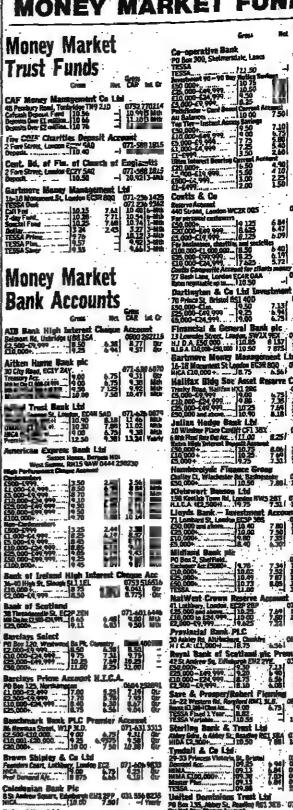
Appears Every Tuesday &

Saturday.

Internet Payment day 28th May, 1982 per Yan 100,000,000 Note

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MONEY MARKET FUNDS



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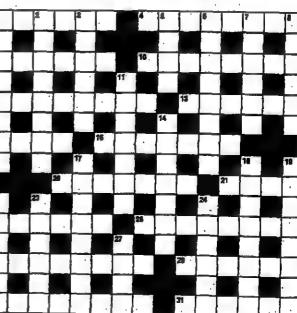
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Healthcare

CROSSWORD

No.7,727 Set by GRIFFIN



ACROS8 1 Tax on street water supplier (6) Stroke a giri's back during

loving (8)

Leaving tip causes insult (6)

Locked in here, you'll come clean! (6)

They settle in Belgium (6)

They settle in Belgium (6)

Dropping one round backed moron's rule (4)

and seconds in take char-16 30 seconds to take char

round class (7)
20 Old boy likes changing needle (7) 21 found army unsettiing...(4)
25 ...in that soldiers are a

menace (6) 26 Once your mate's lost about a stone ... (8)
28 ... rub out "I queued in shop"(8) 29 Lure learner away in Hill's

Risk throwing grenade round back garden (8) 31 Japanese escort his age (6)

DOWN 1 Confess, caught out during boys' activity (8)
2 Sugar factory engineers with elegant clothing (8)
3 Nature (5)

late (6)
5 Returning around five left a round shape (4)

6 Heavenly present, and other things, brought round (8) Doctor inserted relative

quantity (5)

Enquire after bananas furned colour (5)

Quickly taking cheese, run off (7)
14 Attractive gamblers may (7)

17 Chafing by mid-day under-wear is no different (8)

Has about fifty three-feet

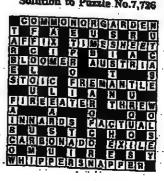
ropes (8)

19 Why topless satire brought about frenzied laughing (8)

22 Clubs backing the local firm

(5) 23 Earth reduced in fine particles (5)
24 Fought against entering

new store (6)
27 Reduce by a quarter, being clever (4) Solution to Puzzle No.7,726



TEMPESDAY DECEMBER IN 181 MARKET FUND FINANCIAL TIMES WEDNESDAY DECEMBER 18 1991 **WORLD STOCK MARKETS** AUSTRIA

December 17 Sch + 8 -
Austrian Airiloes ... 2,310 +30
Creditanstati Pf ... 423 e +1
EA Genera! ... 2,910 +40
EVN ... 891 +7
Jungbunziasser ... 9,870 ...
Ochit ... 957 +8
Pertanoser Zansest ... 1,330 -10
Radez Herzbillih ... 444 +9
Reiningbares Rame ... 1,560
Steyr Daimler ... 237 +1
Veitsche Magnesk ... 306 +8
Verbund (Br) A ... 499 ... 3
Wiererberger ... 4,395 +45
Z-Laenderbank ... 1,010 +5 AUSTRIA | Performance Process
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| Reiningines Zene | 1,500 | 43 |
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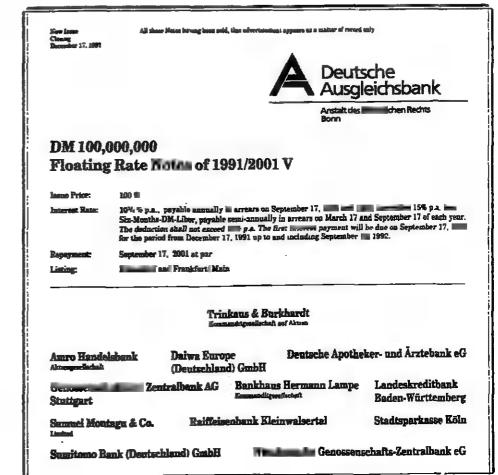
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FINANCIAL TIMES

Commitment to free trade boosts Mexico

Worries about the US economy have faded in recent days, writes Damian Fraser

FT~A World Indices in Dollar terms (rebased)

240 Mexico (1)

200 180 160 140 120 100

date, after Argentina and Col-ombia, with a rise of 99 per cent in dollar terms, according

to statistics from the Interna-

tional Finance Corporation, part of the World Bank

The economy, which is expected to grow by 4 per cent

this year, proved more resilient than many had expected in the face of the US economic slow-

down: public spending was kept under control, with the deficit set to be 13 per cent of gross domestic product, against the original forecast of 1.9 per cent. While the current

account deficit reached \$9.1bn

in the first 10 months, the

capital account was in surplus by \$15.5bm, helping reserves reach a record \$16.7bm.

not only reduce company corn-

ings, but may also put pressure on the mean pero. Last

month the government cut the

rate of daily devaluation of the

peso against the dollar from 40

centavos a day to 20 centavos

(2.4 per cent a year), even

though the current account

deficit is expected to balloon to

\$11bn this year, almost double last year's. If a devaluation

looks remotely imminent next

year or the year after, the

The failure to sign a free

stock market could tumble.

trade agreement next year would compound the problems.

As it is, while the economy car

undoubtedly live without the

agreement next year, the

uncertainty of waiting another

year will put off some foreign and domestic investment, and

reduce economic growth.

None of this detracts from
the phenomenal rise in the
bolsa from January to midNovember, largely fuelled by

impressive economic figures which, free trade agreement or

not, look likely to continue

next year. These have encouraged foreign investment.

In spite of the recent decline, Merico remains 1991's best per-former, of those markets included in the FT-Actuaries

World Indices, with a gain of 115 per cent in local currency

terms. It is also the third bast emerging market of the year to The buoyant economy

helped push up the sales in real terms of the 65 listed com-

panies used by Vector, the

broker, by 5 per cent in the

nine months to September.

However, operating profits at

the secompanies grew by 16 (compared with the

same period year), reflecting the case with which they have been the to cut

costs. Net profits increased by

33 per cent, thanks mainly to

the substantial reduction in

interest rates over the period.

The increase in profits has ensured that, in spite of this year's rally, the historic price/earnings ratio of the whole

market - currently at 13.7 - is not high when compared

with the end of last year (13.2)

or with south-east Asian or

other Latin American markets. Foreign investment has been

largely responsible for the tre-

mendons increases so far this

year, says Mr Jorge Placido of Vector. Spurred by the success of the \$2.2bn international

equity issue of Telmex in May, foreign investment climbed to \$17bn by the end of November

- about 19 per cent of the total stock market capitalisation, up

from 10.4 per cent of capitalisa

While overall foreign investment has risen by \$12.7bn since the end of 1980, net new investment is much less. The

tion at the end of 1990.

original \$4.25bn in foreign investment has more than dou-

bled in value, as has the \$2.2bn international placement of Tel-

mex stock in May this year,

leaving net new investment at

Foreigners have bought

deeply into blue-chip stocks. Of

total foreign investment (to

October), Telmex accounts for 69 per cent; Cemex, the cement

company, 6 per cent; and Cifra 7 per cent. These stocks have led the market for most of the

year. However, according to Mr Heyman, some of the fund

managers with the most expe-

rience in Mexico are beginning

to look at the smaller stocks listed on the bolsa. By contrast, Mexican inves-tors appear to have put their

money mostly into banks

stocks this year. The nine banks privatised to date have sold for \$7.2hn, almost all of it from domestic investors.

Enthusiasm for the Mexican

market has peaked in the scramble to buy new issues. Last week, Televisa, Mexico's dominant television company, successfully placed stock for \$740m in international markets—even though it has lost money for three straight years, and has a neartive net worth

and has a negative net worth.

The success of the issue, against all the odds, suggests that foreign appetite for

a little over \$6bn.

AMERICA

Dow eases on reports of Fed worries on economy

Wall Street

ALTHOUGH HOPES of an interest rate cut remained high, share prices eased slightly yesterday morning in the wake of reports that the Federal Reserve is deeply ried about the state of the economy, writes Patrick Harverson in New York. By 1.30 pm the Dow Jones

Industrial Average down
6.71 2.912.34.
broadly based Standard
Poor's 500 was lower midsession, losing Mill to while the Nasdaq composite of over-the-counter stocks slipped 2.12 to 541.61. Turnover on Man Hom York was 111m was by 1 pm, and declines outpaced than Ind III one.

All eyes were on the Fed and its Open Committee meeting, which many analysts had predicted would sanction pre-Christmas cut in interest rates. Although by midday no move from the Fed, many from the White Harm's chief spokesman that still in sion and reports ILLI Mr Alan Greenspan, Chairman,

lower yesterday. Earlier, arbitrage-related buying had sup-

ported prices, Emiko Terazono n Tokyo, Nikkei

Mile down in 1975 after

reaching a day's high at 22,996.10 and a low of 22,735.79.
Volume remained subdued,

totalling 260m shares, slightly up from 220m. Declines led

rises by 576 to 387, with 184

unchanged. The Topix index of all first section stocks lost 9.40 to 1,718.78 and, in Lon-

don trading, the ISE/Nikkel 50 index eased 1.98 to 1,284.53.

The index in in

most of the day on

buying by arbitra-geurs and small-lot largain hunting. However, dealers rushed to all shares in the last

decline in the futures market,

which followed report that the Tokyo, Osaka and Nagoya stock would increase the amount of margin

After the market closed, the

announced that, from today, margin deposits on stock index

would be raised from

25 per cent to 30 per cent,

including 13 cash portion. Margin 4 for

options trading at the Tokyo, Osaka and Nagoya exchanges

Traders, who sold forms in

said an increase in

tion would be a negative

Tokyo Stock Exchange (TSE) said that it would disclose arbitrage positions

against futures daily

December 20 to increase the amount of information

Mr Minoru Nagaoka, president of the TSE, said that the

futures trading.

wiii also be

stock markets.

Australia (69)

of economic recovery, suggested that an easing of monetary policy immi-

Among individual stocks, LA Gear rose \$% to III on the news that market-ing executives from rival. Reebok, had been poached by LA part II a drive in boost sales. Reebok, up \$% at it appeared unaffected by the defections, while Nike, the other big sports shoe maker, firmed \$% to \$64%.

A&P fell \$1% to \$26% as the

market reacted negatively to a set of quarterly earnings figures which were even worse than already gloomy analysts had expected. The supermarket group reported third quarter profits of just 10 cents a share, down from 84 cents a share a

Federal Express \$1% to after the company announced second quarter profits at the share, down from 71 and share. After a delayed opening caused by an order imbalance on the sell side, Dillard Department Stores slumped \$7 to \$119 in active trading after analysts

at Smith Barney Harris Upham

Street broking houses, cut their earnings estimates for the retail group.
International Paper fell \$1 to

and Union Camp eased to \$45% after Prudential Securities downgraded both

On the over-the-counter ket, Amgen fell , to all after Soundview Financial cut is investment rating on the stock from "buy" to a "hold" and lowered its many for the company's armings.

Canada

TORONTO STOCKS by middey, and caution and year-end selling continued to weigh on the market. The composite infin in: U.S in

Declining led 180 in volume 17.5m The new Telus class I shares topped the most active list, trading hands.
Cominco dropped another on Monday. A subsidiary pressing I with development of a copper deposit in northern Chile.

Late-closing bourses show varied performance

LACK OF Wall Street initiative left late-closing between their own devices yesterday. This made for some variation in performance,

Little limit on the CAC at index, inspired by a rising bond market and market on inflation by Mr Pierre Bérégo-voy, the finance minister. The to 1,711.73 in moderately active turnover of about FFr2.5bn, 🖘

of the top performing stock markets in the

world this year, may have con-

Landed Int pessimists

again. After steady falls in late November early this month, the name has recov-

ered li the past in days, a

ing 4.1 per cent on Friday and

mollier Le per cent m Mon-

day. In early trading yesterday, the market index reached 1,347,

7.7 per unt down

November peak.
The recent rise stems from

relief that, at their weekend

meeting, Presidents George Salinas

firmed their

push through a free trade

agreement "as soon as possi-

ble". In the days running up to the meeting, the market had fallen on "free-trade jitters".

according to Mr Timothy Hey-

man of Baring Research in Mexico City. The stocks imme-

diately hit were the Mexican shares, such as Telmex and Tamsa, I in III York. The fall in late

of Mexican exports go to the US and, according to a well-used rule of thumb, every 1 per

cent reduction in US economic

growth La Marina export

A weak export sector

Thyssen, rose 11111 to DM192.40 on an unchanged dividend and a 25 per cent drop in 1990-91 profits, and Daimler-Benz by DM6.50 to DM721.50, helped by profits

LI DASA TIME Unit after n loss of DM135m last year. Continental, the tyremaker rose DM5 to DM221.50; it is splitting its tyre group into two divisions from January 1 to speed customer service and improve earnings.
AMSTERDAM description

in quiet trading. The CBS Ten-dency index eased 0.1 to 88.1.

PolyGram fell sharply on persistent speculation that it was considering buying Orion, the troubled US film production company, and on talk of a

broker's downgrading. The shed Fl2 or 4.8 per cent to F1 39.50 in active trading. Rodamco, the property fund, lost Fl 1.80 or 3.1 per and in Fl 57.20 effects reporting a later charth kind

1,076.05 in turnover of BFr669m Wagous-Lits dropped 4.6 per cent on news of an EC investigation in in bid by Accor of France, losing in thin trading.

day, when it announced that it would ing jumped BFr6 to BFr106 in heavy voltime of 104,800 shares. MADRID slipped inves

FT-SE Eurotrack 100 - Dec. 17

Open 10 pm 11 am Noon 1 pm 2 pm 3 pm Close 1056.89 1058.15 am at 1057.82 1056.74 Day's High 1059.03 Day's Low 1053.27 Dec 11 1034.07 1007.12 1051.15

sorted out their portfolios before the end of the year. The general index lost 1.02 to harmer of about Ptalibn, STOCKHOLM's Affärs

variden Owner | www just 0.2 higher at 892.9 but the telecommunications major, Erics-son, continued its decline with

lower at Manual Volume was heavy worth in shares changed hands, up from Active stocks included Astra A, up SKr12 at SKr552, and Skandia, up SKr7. at SKr178. HELSINKI hit snother new

low, the Hex index falling 5.5

LEGAL

NOTICES

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ohn A Talbot, Anthony W Brigney

Ville de Lausanne Service d'assainissement

NOUVEAU CENTRE DE TRAITEMENT PAR RECYCLAGE ET **INCINERATION DES DECHETS LAUSANNOIS**

La Ville de Lauranne el l'intension de construire un nouveau annu par la traitement par la construire en nouveau des déchets lausannois (Centre "TRIDEL"), situé sur le plate-forme supérieure de la Vallée 🖼 Flon.

ndra deux lignes d'incinérationsvec un capacité de lim argument une me et une manue

L'objet des acumissions est la conception, fourniture, transport et montage des lots d'équipements suivents :

Ponts-roulants pour la fosse à OM.

Gaines et ventilateurs d'air combut Installation d'extraction des machelers Chaudières à vapeur Pompes d'alimentaire réparation d'eau de chi

Extraction at the secondres vol DE L'ENVIRONNEMENT

Installation de DéNOx. Flectrofilm ction at transport immines volu eseurs de frage Gaines et ciapet on des gaines. Réchauffage des goz

avage des centres volantes

Stockage im produits chimiq

Stockage et préparation des 🗏

TRAITEMENT DES

LOT 5

PRODUCTION D'ENERGI

Collecteurs, Turbines à vapeur. Echangeurs pour chauffage à distance

référances dans le domaine. Les documents de soumissions ne sont envoyés qu'aux entreprises ayant une expérience jugée auflisante par le maître d'oeuvre (les soumissions parfielles pour un lot ne seront pas acceptées). Les entreprises qui désirent participer sont invitées il s'inscire, par leure recommendée, au plus tard jusqu'au 31

are 1991, le cachet de la poste laisant lai, en indiquant cloirement le(s) lot(s) les intéressant, aup itaire GEDEL, ch. de Mailleier 36, CH - 1052 Le Mont-sur-Lausanne. Les cahiers des charges et soumissions seront envoyés par posse le 15 janvier 1991 aux entreps

Un montant de Frs. 100.- par lot sera demandé aux entreprises voulant recevoir un dossier.

Un détai de II mois sera II disposition pour l'élaboration des automissions. précisions concement la visite des lleux. 🖟 📖 soumissions 🖷 l'ouverture publique nuriquées lons de l'envol des cahiers des charges.

The Interest rate applicable to the above Notes in respect of the Interest period consenences 18th December 1999 based for at 5½% per annum. The interest amounting to 18 \$25.73 per US \$1.000 and US \$25.734 per US \$1.000. unt of the No June 1992 ag bank leumi ייזען לאנתי 🔀

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tighten futures restrictions kets in response to criticism LATE-AFTERNOON selling in the I market, triggered by an announcement Japanese exchanges will tighten the Nikkel index trading, sem the Nikkel index

Nikkei falls as exchanges

Speculative and but on profit-taking. Toyo Ink, the most active issue of the day, lost Till to Y977, while Chu-

Nippon Sulsan, in fishing Management, 1000 Y12 to Y609 nm reports of an expected profits recovery. The company posted

interim period, but expects in report a pre-tax profit of Y5bn in the full per March.

The TSE suspended trading in Fuji Kosan, the oil refiner in financial trouble. Mitsubishi Oil announced that it would bail out Fuji with the help from the last main balls. from the Milet main landers The TSE also announced that it would investigate the possi-bility of insider trading, follow-ing a surge in Fuji's share price since December 10 in volume to summe its manual.

Sansui Electric fell Y15 to Polly I International had sold its 65 per cent stake in Sansui to Grande, an electronic concern based in Hong Rose, for a nominal Y50 in line with an agreement between PPI and Charles in free months and

Pound Sterling Index

ECONOMIC AND political wor-ries undermined Antipodean ZEALAND NEW

per cent in 1,413.50, as turnover grew to NZ\$25m from NZ\$17m. Among the losers, Telecom Corp declined 5 to NZ\$2.42 and Carter Holt Harvev Mad 4 mills to Mass

market was being distorted by futures and options-related

ylo to Y1,210. However, contin-ported lino Kaiun, which added Y10 at Y1,150.

depressed by the central bank's economic forecast. The NZSE-40 index fell 12 or 1.3

ernment leadership, with Mr Bob Hawke, the prime minisfrom colleagues over weak pop-ularity polls and a mil economy.
The All Ordinaries index

turnover down from A\$211m to A\$161m. Brokers also said that from h in Tourang, whether to in Tourang, bid for the John Monday, A total of the is nent institutions.

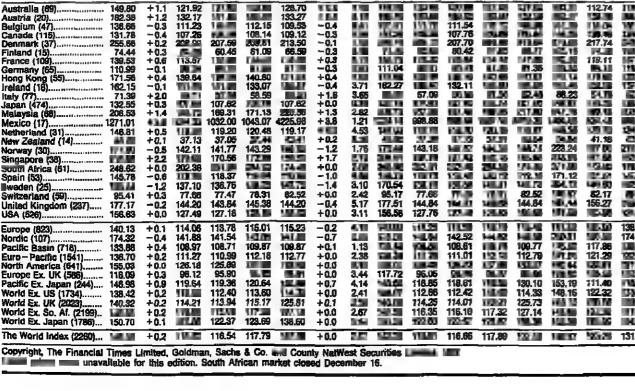
turnover, from 'HK\$925m HK\$1.07bn, but trading still thin as the Hang Seng index rose 13.37 in 4185.03. Renewed rumours that there would be a cut in interest rates would be a cut in interest rates on Friday helped equities to recover from a morning slide. The profit margin prospects boosted banks. HSBC Holdings

day in a row, as market-boosting measures failed in materialism. The composite index slipped I/III to 623.40 in turnover Wonisibn, down from Wonisobn. Financial the decline, in selling connected with the settlement of

Thomson-CSF, the mate-cartrolled defence electronics comy gained by in 5.6 per the left of a government plan to prop up the electronics industry. Elsewhere in an dolor sector, Dassault Aviation, military aircraft maker, jumped FFr15 or 5.5 per cent to FFr290 after announcing plans BSN picked up FFr23 to FFr963 after saying it would buy the Agnelli group's ests in Sifit, which controls put on 25 cents to Was wile its Hang Seng gained 75 cents to HK\$36. mineral rater brands and a string in the Peroni beer group, and the Star and Star-SEOUL fell for the fourth Im grocery companies.

MILAN traders estimated vesterday's war at around Monday's paitry L70bn 🔳 the Comit index put on another 5.87 to M. I. Traders attributed the lack of volume to the histus before the SIMS, stockbroker-cum-fund managers. begin operations on January 5 In banking sector was mixed. The Milan merchant bank, Mediobanca, Marie Marie positive trend, the Line Line Banco di Roma rose L39 the L2,420 and Banco di Santo Spirito L60 to 12,830 on optimism at their working insurer, Generali, to L27,850, retreating in L27.775 on the kerb. FRANKFURT attracted small buying orders, and volume recovered and but in LOTA Short-covering linked to trade on the Driving Transfer LOT 4

margin in white to steady in heavy trading. The index edged up 0.49 🖿 🖊 M 🖦 bargain in Osaka, the OSE average receded 60.36 to 24,681.30 in voland pushed volume to 9.7m shares from 6.7m.
TAIWAN replaced from its intraday highs in close with the weighted index in up in 4,400.30 for turnover at T\$16.4bn, up from T\$15bn. **SOUTH AFRICA** JOHANNESBURG from a morning slide, boosted by the ailing financial rand. The JSE all-gold index ended 4 higher at 1,188, industrials registered a fail 11 to 4,135 and the all-share index FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Limited, Goldman, Limit & Co., and County Immunity in conjunction with in institute of institute and institute of institu Gross Ylend 111.54 107.76 207.70 80.42





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7-SE Eurotrack 100 - Dec 17

Berry and H

Service Control

The hurdles should not be underestimated, says David Marsh. The EC has to find a solution for large-scale unemployment and entrenched social problems. The challenge during the 1990s is to manage its own enlargement, while meeting expectations from outside, without disrupting the fine balance among the present 12 members

A bumpy ride on the roller-coaster

d performant for a launched the plan for a single market for goods and services by the end of 1992, the European Community had little inkling that it was embarking on a self-fuelling roller-coaster

ling roller-coaster.
The momentum built up important stimulant to un revival in growth and invest-ment in the Community during

the past three years.

Just as the political map has changed through German uni-fication and the breakdown in east-west barriers, the EC's ambitions have been extended,

ambitions have been extended, too.

The hurdles ahead should not be underestimated, but with the agreements forged at the summit in Maastricht earlier this month, the Community has taken a decisive step along the trail towards political and monetary union.

Additionally, well before the possible date for introduction of a single currency towards 0.000

45. 46

LEGAL NOTICES

COMPAN

PROPER

NUNET DE 200 of a single currency towards the end of the 1990s, the Com-munity will be widened with the accession of other states.

membership in the mid-1990s. membership mid-1990s.
Waiting the wings
Poland, Hungary, Czechoslovakis other freshly
the find the mild they
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membership.
The Community has yet in
find solution to large-scale
unemployment and entrenched
problems,
development during

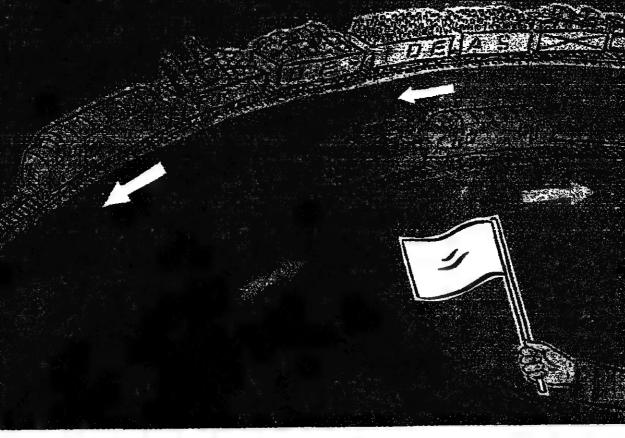
development during the last few years provides if most important ray of hope for the eastern part of the continent which has been looking increasingly unstable.

The challenge for the Community during the west of the

munity during the rest of the 1990s will be to manage its own enlargement and com the expectations vested in it from outside — without disrupting the finely-tuned balance of interests and opportunities among in present II member

One fundamental point is

The unit achievement of a single market to mule in capturing the imagina-



and ordinary people around imbue Coverall goal of European integration with driving force. agreement up free lam onwards. nation European Trade
a direct
consequence. mentary ratification through total conso-called European Economic

The implications M 1 1992 process with mor lost on the people of eastern Europe, struggling to to to with inefficiency, waste and corruption. Among the contributing to the distribution east of the in 1989-90,

Europe preparing for a co-operative and dynamic one of the most powerful.
Yet, despite the roll-call of positive which it has

helped shape. It is single market to the world - especially the UL - that post-1992 Europe would the fortress barricaded off from outside have not been entirely dispelled. The long-running dispute trade trade liberalising farm policies, well as the Community's reluctance to lift to on imports Europe, has not helped to assuage these worries. The progressive liberalisa-

as a great stimulus to cross border trained ties, but a protectionist sentiment in key areas. It has

leen (hund) enguen 🐫 👭 such pressures during it last expansion in Europe. Maintainlng resistance may require
political will, now that
continent for a
period of slower growth in the
wake of the deceleration of the

German economy. The passage to democracy in The passage to democracy in the Europe, coinciding with the disintegration of Hamiltonian process of the Hamiltonian part of H Consequently, Germany has for all in countries - underlining the pivotal posi-

Europe. These three countries badly need liberalised markets in the well plentiful capital - well off disillusiants. sionment with life after

Challenges of a different order also lying in the for countries - Sweden, Switzerland, Norway, Finland, Austria, Iceland and Liechten-stein. The irony of EC-Ena agreement originally conceived in Janu-

enlarging the Community.
In fact, and ended up intensifying deliberations extending the EC eastwards and northwards. As negotiations under way, its seven that they would be taking obligations - in par-ticular, III dismantle protectionistic support for indigenous

industries - without gaining any new political rights. Additionally, the obstacle to EC membership previously posed by the neutral of Sweden, and Switzerland suddenly loomed much less large as a result of the ending of Mar.

Most if the Efta countries thus made clear that agreement with the EC represents simply a stepping-stone the route to full EC membership. They have effectively admitted into antechamber of the EC - III prep aration for a move which could swell the ranks of the Community to 18 or 24 by the end of century.

The rapid announcement is

candidacy of the latest escapee from the break-up of the Soviet Union - the Ukraine - has added further to the enlargement headaches ahead. I factor making for caution is that the attractiveness of the EC

attractiveness of the EC
"model" has partly been
reflection of the economic
gloom to continuous clearly risk
that the heady hopes held
by wishing to join up
may disappointed.

Mr Carl Bildt,
Swedish prime minister,
declared, "Now full
speed the treaty
agreed in October), the
woicing hope the Community would provide balm for munity would provide balm for country's deep economic malaise. Sweden, currently undergoing a deep recession, has declared its ambition joining will by was Acces-will, however, only come nomic liberalisation - and this will bring pain well as

part w the accord on the European Economic Area, IIII countries will have dismantle barriers was and capital by January 1 1993. although special dispensations will apply in food, fish, energy, and coal steel will be an experienced by the coal steel will be an experienced by the coal steel steel will be an experienced by the coal steel s cation, the environment, development, and policy. Additionally, the part will also

IN THIS SURVEY

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- Rotork: profile of a

power engineer 6

Illustration: John Batten

adopt 🔝 anti-trust rules – significant change, above all.
Switzerland, which pres-

A foretaste of the pressures caused by liberalisation came earlier this month when Swe-July your forced to raise interest ward off capital outflows tion. Even before this, Mr Ulf Laurin, the chairman of the Swedish Employers' Federa-tion, warned of opposition from fringe political against the economic rigours associ-ated with the most towards

Common Market.

Similar worries are rife in Switzerland, where the Efta will require ratification by referendums in the cantonal states well as in the country as whole. The road wo post-1992 Europe will certainly be profitable - every that it will also bumpy.

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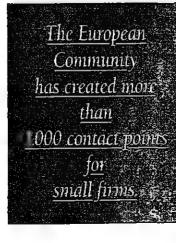
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OF THE EUROPEAN COMMUNITIES



1992: The European Market 2

PEOPLE WHO spend much of their time scanning the horizon are inclined in miss what lies if their fact.

After the rigours of Maastricht, EC governments have been brought to earth with jolt this week by a hectic schedule if ministers' meetings and the stark realisation that, in 54 weeks' time, they should be feting the arrival if the barrier-free single market.

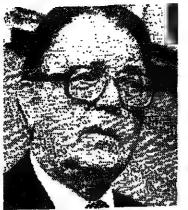
Compared with the lofty long-term aims of economic, monetary and political union, the single-market programme seems somewhat mundane: 282 measures, covering everything from boar-meat to banking.

banking.

But in the short-term, least, the EC's attempts to ensure movement borders for goods, services, capital and labour will have an infinitely greater effect on the common and woman than political and monetary union — imprincipal of which only just appearing over the horizon.

with 12 months III go until the self-imposed deadline of January 1, how is the Community to genuine single market?

genuine single market?
First, the arithmetic. 282
proposed by the British
internal market commissioner, Lord
Cockfield, in his 1985 white
on in single market, some 217 had



Lord Cockfield: paper proposed 282

adopted or provisionally agreed by EC ministers by the beginning last week. By the end this week, thanks to spate of council meetings since Maastricht, European Commission officials hope that less than decisions

The more important those on in implementation the single-market measures have been adopted are transformed into national law, they can have no effect. A updating those figures was quietly slipped into EC leaders' Maastricht

Andrew Hill examines the single-market programme

Fifty decisions to go

siers, partly to shame of into speeding their in implementation.

Commission's cajoling

to be having effect. Italy has still only changed half the relevant into national law, behind Denmark, top the with 93 per cent. But others are making a strong effort. Since July, for example, for first pushed through 15 or 16 measures each, according to the Commission. But the real goal is not to score 282 out of 282. As one Brussels offi-

cials says: "We think the success of the single market programme] will be judged by the extent to which internal border controls have been removed." In that case, the jury is still out, although have been some notable.

In June, example, he Christiane Scrivener, the Franch commissioner, won a victory of health of the single-market siers, the harmonisation of the single-market siers, the harmonisation of the single-market siers.

grudging Britain, reached a political agreement on 15 per cent smum standard rate of VAT.

The Commission has yet to decide whether to push its luck with the UK and produce VAT harmonisation — which, unlike internal sures, would have to be approved manimously. But if member states stick to their promises, one argument in favour of border controls — that they are needed to prevent trade distortion caused by bargain-hunting cross-border shoppers — will be swept away.

arms and works of art is still a problem. In addition, Britain and Iraland are standing firm on the need to retain stringent checks on animals crossing from continental Europe, to guard against rabies, and others join the wishing to keep a criss-crossing to within the

Charles Leadbeater on competition policy

EC. The Commission may have more success in pressing member states to abandon of the unique — quirky national controls on goods as homing p — and

Some advocates of a truly single market are also with a substitution of visible border checks with new "invisible" systems of monitoring for example, the administration of VAT for businesses trading within the EC, which some fear might hinder rather than help the growth of cross-border commerce.

Member states making heavy weather of some parts of the legislation of the more technical financial or corporate measures. The investment services directive, which would harmonise securities trading across the Community and was once a top priority, seems to have disappeared from view, while some of the company law while some of the company law was to be a support to law.



Scrivener: victory

run aground completely. Priority is being given instead to the European Company Statute, which would, in theory, provids a single legal umbrella for Euro-companies – but a number of member states appear sceptical about its chances.

However, this paid fortnight meetings under the Dutch EC presidency — and the fast approaching 1933 deadline — could loosen small clots of legislation which have been held up. — tomorrow's meeting of internal market ministers, for example, a trio of directives on car standards — blocked for more than

decade by France, Italy and Spain for political reasons — may at last be approved, completing single set of technical standards for cars in pavid Barchard Seeking

leated.

& CONF

the Community.

Some of the outstanding single-market measures have already been superseded by other legislation; others will be quietly dropped as unnecessary before 1993 arrives. At the same time, in certain key areas—such as car imports, and energy (which was gever part of the original Cockfield programme)—the Commission has been forced to concade comparatively long transition periods for the liberalisation of the market, a reflection of the political constraints—on the free-trade instincts—sveral commissioners.

Nevertheless, there optimism in Brussels as the deadline approaches. "My prognosis would there's a very reasonable chance that the key elements of the single-market programme will be implemented by January 1993," says one sentor internal market official. The Commission could have an unlikely ally for the final push.

The Commission could have an unlikely ally for the final push. Britain holds the EC presidency for the six months immediately ahead of the opening of the internal marand on this issue at least the Conservative government — if it is still in power by the end of the year—is a convinced Euro-enthusiast.

THE EUROPEAN Commission's votes on competition-policy are the literation to an opinion policy in the balance of power.

Franco-Italian proposal in over De Havilland Canada, the regional jet manufacturer, and Italian for Air France and Usinor Sacilior, the French group, have in littens test of the little difficulty opinion in the Commission.

The tension between those who

The tension between those who believe in the primacy competition policy and like who believe an active industrial policy needed European companies capable matching like competitors in like and Japan, goes to the Community's

UE chemicals ICI, There is a urgent need reconcile industrial and competition policy. The single market is the correstone of the European economy, but I is not think market alone will make European industry

world competitive."

Mr Eberhard von Koerber, chief
of the German operations

I ABB, the power
engineering group, acknowledges
that, in France I Italy, the
is expected to play a greater role in
industrial affairs. But he warns:
"We cannot accept French planning
the for European policy.
Europe built upon competitive



Denys Henderson: 'an urgent need for

Mr Kartte. outspoken Germany's office, support "industries of the future" could allow a new breed of European companies "doped up from a trough

The between industrial and competition policy raises difficult about the open is single European marshould in international trade, investment and companies; the respective many of the EC and national government's in fostering competitiveness; and links regional male trial policy.

Broadly speaking, liberal which competition policy to take the lead in deciding

A three-point debate

Germany

Italy, Spain Portugal see merit in commitment to publication industrial policies.

Industrial made up several threads,

several threads, litogether determine EC policy industrial performance. The directly little support European industry, through programmes and it in the EC plans to spend Ecu5.7bn development, little channel in money into fewer, larger school but to channel in money into fewer, larger school but to diffused is diffused in pie.

sums through the listractural funds. It 1989
1993, ECus.5bn infrastructure in linear competi-

ition involved small

ment needed in areas such as sendconductors. This might change if spending on the Common Agricultural Policy declined and resources were diverted into other sectors. However, in the main, the debate about EC industrial policy is not about how the EC itself should supment industry. Figure 18.

port industry financially.

The terrain of the debate between industrial and competition policy is marked out by three issues.

Trade policy. In sectors such a electronics and automobiles, one of the main issues has been how far European-based producers should be protected from international competition. Significantly, the number of anti-dumping brought to the EC, mainly against suppliers, and declined markedly in the past four years.

mForeign investment. Companies wary of Europe's becoming a trade fortress will invest in EC production plants, to make sure their products from the market by all barriers. This means the questions of policy open the EC should be to international competition —

investment. L. European companies in cars, electronics, aerospace and aviation seek to extend international alliances, to give them access to foreign markets, technology and resources, the definition and treatment of foreign companies will become a more controversial

foreign companies and foreign companies and foreign companies and in the IC or form alliances with European partners be given access to EC research programmes? Fujitsu, the Japanese computer manufacturer, which last year took over ICI., the British group, feels it has been unfairly excluded from European programmes.

European programmes.
Second, the future of local-content requirements, which specify that production plants here should obtain a high proportion of their supplies locally. Will these rules be sustainable when leading European producers in electronics, for instance, are increasingly having to consider sourcing from the Far

mCompetition policy. Narrow competition policy will focus on two issues, which will be central to the way industry develops on the



Wolfgang Kertie: warning on a 'trough of subsidies'

basis of the single market. Again, two issues will be central.

First, will competition remain the overriding issue in considering whether mergers between European groups will be allowed? Or will other factors, such as "international competitiveness", be taken into account?

The lesson which supporters of competition policy draw from Japan is that feroclous competition between a number of domestic suppliers is vital to international competitiveness. But in the airline industry, for instance, companies insist that they must merge within Europe to create groupings large enough to compete with the hig US carriers in international markets.

Second, the treatment of public-

France and Italy, and sectors such as airlines and steel will confinue to be contentious. In steel, for instance, private sector suppliers in Germany and the UK complain that subsidies to public sector groups in France and Italy are seriously distorting competition in the single market.

Industrial policy is no longer simply a question of subsidies. It increasingly involves subtler questions, such as how standards should be set for such products high-definition television.

The debate between the proponents of competition and industrial

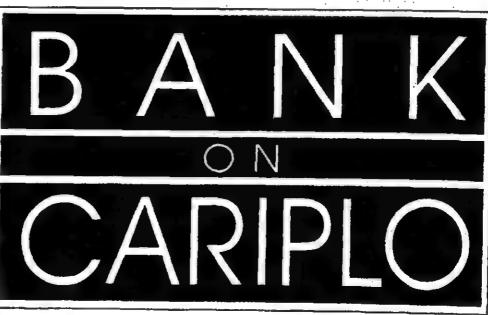
nents of competition and industrial policy may crystallise in an argument over the future of the Commission's competition division. Some in the dirigiste tendency, most strongly represented in the industry division DG III, would like to see the competition wing merged with the industrial division to create a body with an over-straing of how EC industry should develop, striking a balance between promoting competition and investment in strategic industries.

ment in strategic industries.

The liberals would see this as smothering competition within the embrace of industrial policy. Their preferred option would be an independently constituted competition authority for the RC, modelled on the powerful German cartel office. The authority's institutional independence from political meddling would enabrine once and for all the primacy of competition.

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1992: The European Market 3

in formula by France, help a special seasons as formula standards by France in the seasons are seasons as formula standards by France in the seasons are seasons as formula standards by France in the seasons are seasons as formula seasons are season The control of the outer land Rorea's assistant minister for the control of the co trade, the emergence of a "fortress Europe" is a matter of some consternation. He speaks not just for many Korean exporters, but perhaps also for exporters from many corners

THE WEDNISHAY DECEMBER

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The time to be for ext.

The time has been to ext.

The time has been to ext.

The time has been to ext. of the developing world.
While Europeans have been celebrating the creation of a European Economic Area (EEA), to bring Scandinavia, officeron of the leeland, Austria and Switzerland closer to the EC fold, Europe's trading partners worry about raised berriers to their exports, and a widening imbalance in bargaining

> They foresee the countries of eastern Europe, such as Poland, Hungary and Czechoslovakia, moving towards integration into the European Community, pushing still the section for the medical section in the me

nore markets behind Europe's 380m consumers when it is might to define the rules of ortress walls.

380m consumers when it is might to define the rules of formed in 1993. It will account world trade. Exporters in the

fortress walls. How justified are these exporters' fears? Is the creation of Europe's internal market likely to have protectionist results? Worse still, might it trigger a disintegration of the present world trading system, leading to protected regional trading blocs focused on the US and Japan?

Mr Ya is not wrong to focus on the growing might of Europe as a trading region. The 19 members of the EEA will constitute a market of

for at least 40 per cent of world trade.

David Dodwell considers the implications for world trade

Anxiety and Europhoria

US rules". The emergence of a

challenge to the US's defining

monopoly might offer advan-

Europe's single-market initiative, which comes into

effect on January 1, 1993, has

increasingly preoccupied

national leaders across Europe

over the past year. It has

turned businesses' attentions

inward, as they have sought to harmonise practices and stan-

dards across Europe, rational-

ise distribution across the single market, and seal strategic

alliances with one-time com-

petitors. Companies without a foothold inside Europe could

be forgiven for feeling forgot-

ten, or at least marginalised. It is also plausible to argue

that Europe's manufacturers,

able to work within the BC's

tages as well as disadvantag

Nor is he wrong to pinpoint Europe's introversion, A total of 59 per cent of the trade of EC member states is with other countries in the Community. This has risen from 53 per cent in 1989, and can be expected to grow steadily as the process of integration

deepeus following 1992. By comparison, the US and Japan are much less introverted. Countries in east Asia buy and sell just 37 per cent of their goods inside the region (up from 33 per cent in 1989), while intra-American trade accounts for 36 per cent of the

region's total trade. The immersion of the European Free Trade Association (Efta) states into the EEA is likely to increase Europe's preoccupation with internal trade. The EC is the predominant trading partner for all six

tariff walls, and rationalise production and distribution It will not be long before a strengthened European Comthroughout the single market, will constitute a formidable competitive threat to outsid-ers. Indeed, this logic - along with fears of being blocked mission translates its clout into efforts to have a greater influence on the shape and direction of world trading from the European market practices. However, this is after 1992 - has pressed many Japanese and US manufacturlikely to be of greater concern ers to pre-empt problems by to the US, which has, over four decades, used its trading establishing subsidiary

regional trade 1989 developing world, and even in Japan, have long grown used to the need to "play trade to



operations within Europe's frontiers, or acquiring a European company. This has fuelled a surge of inward investment into Europe over the past five years.

Even the Efra countries have

been motivated to link with the EC in order to win back manufacturing investment that has in recent years been lost to EC member states. Many observers expect a resurgence of foreign direct invest-ment in countries such as Sweden and Finland once it is clear that output from their factories can be sold without impediment across Europe. nicious effects of Europe's



common agricultural policy (CAP) on world farm trade are inclined to see the creation of any new pan-European institutions as protectionist instruments to keep predators at bay. They see "1992" as being driven by protectionist senti-ments. They see the voluntary" restraint agreements, limiting Japanese car sales into Europe, as implausible "anti-dumping" actions that are used as a disguised form of protectionism; and demands for minimum levels of local content, in products coming from non-EC factories based in

Percentage of total 0

Efta: Direction of trade 1989

many EC member states. These quite reasonable anxidiverted attention from some of the positive aspects of European integration. The "Euro-

Europe, as constant reminders of the fortress instincts of

application of common stan-dards to all countries in the market will simplify the task

of selling to them. Perhaps most important. many argue that the process of unification has in itself been liberalising. Experience with the liberalisation of the EC markets has taught governments and sectoral interests in Europe that the retention of sovereignty is inconsistent with effective rule-making in interdependent economies." argued Mr Stephen Woolcock, in a recent paper from the London-based Royal Institute

for International Affairs. Companies that have rationalised their operations across Europe have taken a step towards the globalisation of their operations, which would inevitably press them to seek a multilateral route to freer

0 20% 40% 50%

Other Industrial countries

pessimism" of a decade ago

has been transformed through

the unification process into a

vibrant "Europhoria", which

is expected to underpin strong economic growth across

Some research has estimated

that economies of scale, and

intensified competition across

the single market can be

expected to produce gains of between Ecu62bn and

Eculo7bn. The removal of bar-

riers to trade and production across Europe could generate

further gains of Ecu65-Ecu80bn. That would add per-

haps 5 per cent to Europe's GDP. The larger market would

inside it, but exporters to it.

nies operating inside the Com-

munity will benefit from the

free movement of goods across

enefit not just manufacturers

In addition, non-EC compa-

Europe in the early 1990s.

European Free Trade Association Developing countries

For these reasons, Harvard's Professor Robert Lawrence recently argued that emergent regional trading blocs "are more likely to represent the building blocks of an integrated world economy than stumbling blocks which pre-

vent its emergence". Prof Lawrence may be right, but much will depend on the current Uruguay round of world trade talks. A successful outcome to the talks - which means not just effective liber-alisation, but liberalisation without extreme acrimony could well turn trading blocks into the building blocks he predicts. However, if the Uru-guay round flounders, his optimism may be ill-founded.

A pan-European market

Aim is a circle of 22 nations

THE EUROPEAN Community took two large steps this autumn towards creating a pan-European market, by striking far-reaching agreements with the European Free Trade Association (Efta) and with central Europe.

The most important and immediate is that which sets up the 19-state European Economic Area (REA) with Etta. Formal signature has been delayed by last-minute quib-bles by the Community's Court been sorted out, and once the EEA accord has been ratified by all 19 national parliaments and the European Parliament, the single EC market will be effectively extended to Austria, Switzerland, Sweden, Finland, Norway and Iceland from Jan-nary 1, 1993.

· Basically, these Efta states will be taking on most of the economic rights and obligations of Community membership, but without, of course, in the EC council of ministers. Negotiating this half-way arrangement has been highly

Switzerland will be given five years to adapt its strict rules on admitting foreign workers

complex, probably more so than if the Rite states had all gone for straight EC membership.
For a start, the Efta coun-

tries are to put more than 1,500 pieces of existing Community legislation on their statute books. Through an elaborate system of consultation, Efta countries will be given a hand in the "decision-shaping", but not "the decision-making", of legislation in Brussels.

An REA council of ministers is to be set up, to decide which new pieces of EC law should apply to the EEA zone, and a joint court, with five EC and three Efta judges, will be estabfished to rule on disputes. The EC Court of Justice's quibble is over whether rulings by this court would prejudice its own interpretations of EC law.

The substance of the agree-

ment should allow a free flow of goods, services, capital and labour among the 19 EEA members, with certain exceptions and transitional arrange-ments. Switzerland, for instance, will be given five years to adapt its strict rules on admitting foreign workers.

Three disputes – over fish, money and transit rights – held up agreement for several

held up agreement for several months. They centred largely on fears by southern EC states that they were letting competi-tive Efta industries into their markets, for little return. So, as compensation, Norway has been persuaded to give Spanish and Portuguese fishermen more access to its waters; and, more generally, Efta states have agreed to lend poorer EC states Ecns2bn at subsidised interest rates. Austria and Switzerland have agreed to let more EC trucks use their environmentally-sensitive Alpine

Efta will not be taking on the EC's entire single-market programme. The issues of harmonisation of indirect taxes and of alternative controls on people, animals and goods ~ all related to the removal of border checks within the EC ~ will not apply, because Efta states will maintain controls on their frontiers with the Community. Nor does the EEA affect Efta's relations with the outside world. The EEA will turn the EC-Efta zone into a

highly sophisticated free-trade area, but not - at this stage -into a customs union with a common external tariff, which would perforce drag Bita into following the EC on any trade sanctions and anti-dumping measures against third coun-

It is nonetheless very ambi-tious, and perhaps painful for some Esta parliaments to rat-ify. It involves major changes, one of which is that Efta states will be required to set up their own supranational equivalent of EC rules controlling monop-olies, restrictive practices and state aids which distort competition. It is this acceptance of many supranational EC rules, without having a vote on them in Brussels, that may lead more Efta states to conclude that they would be better off right inside the Community.

Austria and Sweden have already reached this conclusion, and Finland may do so soon. Norway may follow one day, though Iceland with its uniquely piscatorial economy probably never will.

Opening the Community's frontier to the east are the new Hungary and Czechoslovakia These so-called "European ements" are different from agreements" are unterent trom the Community's standard association agreements with countries around the Mediterranean, because they explicitly hold out the prospect that this trio of central European states will eventually join the Com-

They will also involve the three countries in a much closer political dialogue with the Twelve than is offered to members. This is in recogni-tion of the special security worries that Warsaw, Budapest and Prague feel, with the rise of nationalism in the east and the break-up of the Soviet

But the agreements' economic content is more modest than the arrangements reached with Efta, which has had free trade in manufactured goods with the Community since the 1970s. Free trade in goods between the EC and central Europe is to be phased in over 10 years, with the former bringing down its tariffs and quotas faster than the latter. Likewise, the opening up of service sectors will not happen overnight; while, as regards free movement of workers, the initial aim is just to help Poles, Hungarians and Czechs who are legally resident in one EC state to move more easily around other EC states.

As in the Efta negotiations three sectors caused particular trouble. But the EC finally

agreed to:

Phase out so-called voluntary
curbs on central Europe's steel
shipments next year, while maintaining a special surveil-lance over those imports; mEliminate all tariffs and quo-

tas on central European tex-tiles within six years; and Modestly increase market access for central European farm produce. France fought hard against the last concession, but eventu-ally gave in, after receiving a

Community undertaking that Brussels would try to get Rus-slans to resume buying – per-haps with EC loans – the food they used to import from cen-tral Europe. To complete the circle, Efta is in the process of phasing out trade restrictions towards central Europe, so that eventually, by early next century, a free-trade zone of some 23 countries

David Buchan

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Tel: Fax: Germany (0) 64.34. - 36 64 contact Claus Vollmers for further details Further change awaits the food industry, says Guy de Jonquières

Dancing to the retail tune

THE WAVE of mega-mergers which swept through the European food industry in the late 1980s may have subsided, at least for the moment. But the underlying pressures which powered it continue to gather strength, pointing to further rapid change in the industry's structure during the 1990s.

Not that acquisition activity has ground to a halt. Food remains one of the most frag-mented industries of its size in Europe, affording plenty of scope for further concentration both within and across bor-

But the recent emphasis has been on smaller deals. That reflects in part the dwindling number of large takeover opportunities and an onset of caution among even the most well-heeled predators as to whether fresh acquisitions at recent sky-high prices can be made to pay in a recessionary

Behind the re-shaping of the industry lies a growing perception that securing brand leadership and scale in a carefully selected range of businesses is increasingly vital to generate the returns needed to survive long-term.

At its most brutal, the message is summed up in the much-quoted dictum of Mr Antoine Riboud, chairman of

EUROPE IS becoming the main

battleground in the world auto-

motive industry in the 1990s,

with Japanese car makers set to increase rapidly their mar-

ket share as local production

In consequence, European car makers are under intense

pressure to restructure their

operations and management

fully competitive in a world

According to Sir Leon Brit-

tan, EC competition commis-

sioner, the earlier boom years

enjoyed by the European motor

industry "sadly, have not always been used by European

thods, in order to become

huilds up.

BSN of France: "In this business, the No I makes a lot of money, the No 2 can make a decent living, the No 3 just In practice, such logic has

encouraged a high degree of specialisation, even among the biggest food groups. Most of Nestle's businesses are clustered around coffee and milkbased products. Philip Morris in Europe is concentrated largely on cheese, coffee and chocolate, while Unilever's core strengths are in edible fats, ice cream and tea. Floris Maljers, Unilever's

Dutch co-chairman, argues that a principal benefit of large-scale specialisation is that it permits heavy investments in innovation. He says his company's strength in edible fats, for instance, owes much to research breakthroughs in polyunsaturates, which smaller rivals were

To fund such investments. manufacturers need to seek ever larger markets for their products - an objective which Europe, involves a complex balancing act. Substantial effi-ciency gains can be made by concentrating production for the whole region into fewer plants, as most bigger companies are doing. However, transferring products across borders is a tricky business in a region renowned for its national taste differences - and frequently boils down to trial and error. Even the few genuine "Euro-products", such as Mars bars, are often subtly tailored to local preferences. Sometimes it is easier to transfer concepts, such as healthy eating, between countries than the

products themselves. Partly because of Europe's diversity, there remains plenty of scope for small and mediumsized food manufacturers, provided they are intelligently specialised.

For instance, Barrilla of Italy and Bahlsen of Germany thrive by focusing respectively on pasta and premium biscuits, while Britain's Northern Foods remains the European leader in chilled convenience foods, albeit entirely on the basis of the UK market. Even BSN, though the fourth

largest European food company by turnover, has a decidedly regional emphasis. Half its sales are still in France, and half the rest are in Italy. BSN's good fortune is that both coun-tries are trend-setters in international taste.

Furthermore, the food industry is sufficiently fast-moving to deny established sector leaders a monopoly over product innovation. In ice cream, many of the most original recent developments have been initiated by outsiders such as Mars, which re-defined the business by launching frozen bars, and Grand Metropolitan, which has successfully transferred Haagen-Dazs from the US to

Increasingly, winning and maintaining leadership in any sector of the food industry depends on being able to offer a distinctive product. Impor-tant as advertising and marketing are, they are no longer sufficient on their own to guarantee brand strength in

increasingly crowded markets.
As Dr Jim Grover, of OC&C Strategies, a London-based consultant, puts it: "In the past you could sell by playing the perceived benefits game. In the future, manufacturers will have to spend more time and money on the products them-That does not just mean fas

ter new product launches, but also the constant updating of older lines. Nestlé and Kelloggs, for instance, have been able to keep profitable leader-ship, respectively, in instant coffee and breakfast cereals through steady improvements in production technology, which have yielded perceptible benefits to the consumer as



Local specialities: transferring products across borders is a tricky business in a region renowned for its national teste differences

well as enhancing efficiency.

These trends, clearly, spell bad news for manufacturers with portfolios of "follower" brands, or a competitive advantage based solely on lowcost production. They are likely to find it increasingly hard to differentiate their products in the market and, cor quently, to convince profit-conscious retailers to give them

shelf-space. In the short term, these pressures are being exacerbated by slower economic growth throughout Europe. Longerterm, they will be sustained by shifts in the balance of power hetween suppliers and retailers, largely in favour of the

These shifts are only indi-

furthest advanced in the UK. rectly related to cross-border expansion - a process which has developed much more where supermarkets have also invested in centralised distrislowly among European retailbution networks, with larger Dutch chains not far behind. ers than among their suppliers. Few, if any, supermarket chains have established a size-Such systems greatly strengthen the retailers' bar gaining power by providing them with superior informaable presence outside their home markets, while the tion. That, in turn, has enabled them to extend their influence

much-trumpeted emergence of trans-European retail buying consortia has yet to have any over the supply chain well beyond manufacturers' factory real impact. gates into the factories them-Much the most powerful selves. In the UK, one conse-quence has been the steady weapon at the retailers' dis-posal is technology, chiefly in the form of computerised growth of supermarkets' own-label products, which now account for one third of their systems which provide a stream of highly detailed up-to-the-minute data on sales total food sales. turnover, stock levels, orders and delivery schedules. The installation of such systems is

The prospect of having to dance increasingly to the retailers' tune is unsettling even some of Europe's biggest manufacturers. One symptom of their discomfort was a recent speech by Mr Mike Heron, a Unilever director, at Templeton College, Oxford, calling for a radical change in the retailer-supplier relationship. Both sides, he argued,

should seek to replace their traditionally adversarial atti-tudes with "strategic partnerships" designed to maximise mutual benefits. An essential condition was that retailers. share proprietary commercial information more freely with their suppliers. In the power struggle in Europe's food industry during the 1990s, much may depend on how the big retailers respond.

Car makers are under pressure to be more competitive, says **Kevin Done**, as...

Transplants put heart into Japan

The way appears to have

producers in order to restrucof car technology and to

develop new production and management techniques." The understanding finally

reached by the European Com-mission and Japan at the end of July, on the vexed issue of Japanese car sales in Europe, appears effectively to have set

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a limit until the end of the decade on the level of direct exports from Japan to the EC of cars and light commercial

The agreement, reached only after years of tortuous negotiations - among EC member states themselves, as well as between Brussels and Tokyo suggests a level of direct

1.23m vehicles (cars and light commercial vehicles of up to five tonnes), compared with a level of 1.24m in 1989.

been left open, however, for Japanese car makers to build up significantly the volume of vehicles assembled at so-called transplants (Japanese plants in Europe), with no restrictions being placed either on Japa-nese investment or on the free PRIVREDNA BANKA ZAGREB *D.D.* circulation of European-built

Japanese vehicles in the EC.
Japanese vehicle makers also appear to be free to export cars from the US to Europe outside any ceiling.

When the deal was announced, Brussels said it

had estimated that output of Japanese cars in Europe could rise to 1.2m by 1999. Officials of the Japanese Ministry of International Trade and Indus-try insist that Tokyo has not accepted any such limit, and the Commission admits the 1.2m figure was only an internal "working assumption".

Interpretations of the agreement already differ greatly. with London insisting that no limit has been set on the level of transplant production, while French car makers appear to consider the 1.2m units as a

Intelligence Unit forecast, Japanese vehicle manufacturers could produce more than 1.8m vehicles a year in Europe by 1999, including cars and light commercial vehicles, compared with 257,000 in 1990.

Under the deal between the European Commission and the Japanese Ministry of International Trade and Industry, Japan will monitor exports to the EC as a whole, in accor-dance with a forecast level of exports in 1999 of 1.23m, based on an assumed level of demand in the EC of 15.1m (cars and light commerciai vehicles) in

Most automotive analysts consider that sales will easily exceed this level by the end of the decade, however, as the EC forecast suggests only a minimal growth of 0.8 per cent a year from the 13.946m vehicles (cars and light commercial vehicles) achieved in 1989.

included in the overall export figure of 1.23m are sub-ceilings for exports to the five EC states - France (150,000). Italy (138,000), Spain (79,000), Portugal (23,000) and the UK (190,000) - which now impose national curbs on Japanese car

The five have promised to end their national restrictions by the end of 1992, by which time the EC must also have introduced single-type approval for cars, setting common specification standards. and thereby greatly simplify-ing the engineering of cars for

Air transport

the century, it will be up to the Japanese side to control the flow of their direct car exports, following consultations every six months with the EC. The aim of the deal is that the EC car market should be fully lib-eralised from the end of the decade although scenticism decade, although scepticism remains about how the agree-

ment will work in practice Lest year, Japanese car reg-istrations in western Europe increased by 5.6 per cent to 1.54m in a total market of 13.2m, representing a market share of 11.7 per cent. In the EC alone, the market share was 10 per cent, compared with 30 per cent in the Efta coun-

While Japanese car makers captured a 5.1 per cent share of the "restricted" Suropean markets last year, they already controlled more than 30 per cent of the "open markets". Yet, even before the full Jap-

anese assault on the European car market is launched, several of the traditional European producers have found them selves on a bumpy road into the 1990s

In the last two years, sales atterns have diverged sharply in different European markets as demand in several key voi ume countries, such as the UK. France and Spain nose-dived. while sales in Germany surged to a record level. Many German car plants

have worked at full capacity, while the industry elsewhere has been forced to shed thousands of jobs. The profits of some car producers in Europe, such as Renault and Ford, have plunged; while others, such as Rover, Volvo, Saab and Jaguar, have collapsed into loss, in the face of severe sales problems, not only in Europe but also in the US. The UK has suffered a slump

with a 20 per cent fall in new car sales in 1991. Only the German economy has provided badly needed support for the western European car market, which is still forecast to grow 1.7 per cent this year to a rd 13.5m.

Excluding Germany, the

market is set to show a fall of around 8.7 per cent for 1991, however, with only four of 18 markets - Germany, Greece, Portugal and Austria ing growth according to the latest forecast by DRI Europe, the London-based automotive The west European market is

western European new car

forecast to fall by 2.4 per cent to 13.15m in 1992, largely reflecting an expected 19 per cent drop in German new car demand to 3.3m. Excluding Germany, the demand outlook is more favourable, with western European sales elsewhere forecast to recover by 5 per cent to 9.5m next year from 9.3m in 1991.



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The prospect of air transport liberalisation in Europe has also led to a frantic scramble in the industry to negotiate alliances, mergers and marketing agree-ments to position airlines in a

new, more competitive deregu-lated market. The lessons of air transport deregulation in the US are haunting European carriers. Deregulation has led to unprecedented concentration in the American airline industry which is now dominated by a

handful of giant carriers. In the past 13 years, the US industry has seen 150 airline bankruptcies and 50 mergers. Out of 178 new US airlines which attempted to enter the market, only one. America West, is still alive, and it is currently operating under the pro-tection of the US bankruptcy

European carriers, both large and small, have sought to protect and strengthen their chances of survival in a new liberalised environment by negotiating partnerships with other European and interna-

tional carriers. British Airways has been negotiating a global alliance with KLM Royal Dutch Airlines and Northwest Airlines of the US: Air France is hoping to invest in a stake in Belgian carrier Sabena; the Scandinavian Airlines System, Swissair and Austrian Airlines have formed a marketing and co-operation partnership called the European



Quality Alliance.
Mr Bernard Attali, the Air
France chairman, recently said
he expected to see European carriers creating larger entities, based around a few important European airport hubs, competing against the blg US and Asian carriers in a few years

Unlike US deregulation, liberalisation of air transport in Europe has been a gradual pro-cess, based on three separate ages of measures. These have included much greater dexibility and freedom in setting fares and offering services on intra-European routes. The ultimate idea is to break down all national barriers between EC countries to create a truly open

market within Europe, But this is unlikely to suddenly happen in January 1993, the target date for European "open skies". Governments are expected to try to dilute full liberalisation to protect the interests of many state-owned national flag carriers in Europe. Many in the industry believe that complete liberalisation will not occur before 1996 or possibly

A free market is supposed to

greater competition. But concentration risks undermining competition, although the EC has committed itself to ensure hig airlines do not abuse open skies. Competition also risks being distorted by the chronic infrastructure problems facing European air transport. Congestion in European airspace is acute.

Many large airports are saturated. Although individual countries have been investing to improve and expand their air-traffic control systems, efforts to harmonise the different systems to create a single European air traffic control system have been slow because of political obsta-

Building new airport and run-way facilities has proved even more difficult. As a result, one in every four flights in Europe is still delayed by more than 15 minutes, and new entrants in the market are bandicappe because of the lack of capacity

available at busy airports.

The challenge for the EC in 1992 will be to put into place a competition policy which will protect consumer interests at the same time as allowing European airlines to develop strategies to compete in an increas-ingly global civil aviation market.

The Commission itself is split. One camp is worried that mergcarriers will reduce choice and squeeze smaller airlines out of the market. The other believes European carriers will need to match the size and world market penetration of the big US and Asian airlines if they are to survive in the global market place. A way will have to be found if liberalisation is to work

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Seeking a unified system

A GENUINE single market will Some markets (the UK and need a unified financial sys-tem. With that in mind, the Commission had prepared its directive on banking by 1989. Rather than impose a new set of arrangements on banks in member countries, it has tried to give them the freedom

SEE STATES OF STATES OF STREET, STREET

to expand across frontiers. To operate anywhere inside the European Community, a bank will need only to have a state. It will then be auto provide banking services in any of the 11 other member

states.

Banj
the di Banking, under the terms of the directorate, will not mean ing money, but also investment banking services, such as fund management and stock broking, and related services. broking, and related services such as insurance. This does not mean that banks will find it easy to rush

no longer mean much. They have tried several strategies. ■Some banks have bought subsidiaries in other European markets. Deutsche Bank bought the leading UK merchant bank, Morgan Grenfell two years ago. Abbey National and Woolwich building society into each other's markets.

France) are already more open than others (Germany). Some

financial services are more eas-

ily transplanted than others.

Insurance crosses frontiers

more easily than housing

But the banks have started

to prepare for a future in

To operate anywhere

inside the EC, a bank

will need only to have

a licence from one

member state

which national boundaries will

Securities

Heated dispute

THE FINAL part the Commission's financial services programme concerns the securities markets - and it is securities markets — and a securities markets per cont by member states have arisen.

London already boasts the most developed international investment markets, covering Eurobonds and international emitted by 1811.

Eurobonos and internacional by some equities. Yet efforts by some countries — notably France, traly and Spain — could force Italy and Spain — could force investment business within the EC back into national market-The places.
The proposed investment German Services Directive (ISD), which

in dame, this particular dispute, has still to be agreed in suite of being to be agreed, in spite of being targeted by the Dutch presidency as a top priority. Similarly caught up between war-ring states is a related directive on minimum capital requirements for non-bank securities firms, which London

fears could also jeopardise its position as an international

financial centre.

Parallel to the ISD has been the failure this year of negotiations between national stock exchanges, which could have led to a single. EC-wide stock market. Any spirit of co-opera-tion that once existed has disappeared in the rush by national centres to make their

own markets more appealing.

Any agreement that emerges is likely to focus on one fundamental distinction: that the services and level of regulation depended by demanded by retail investors, who deal mainly in domestic markets, are different from those demanded by profes-sional investment institutions, which these days drive investment markets and have an international perspective. That agreement, though, seems some way off yet.

Richard Waters

have bought subsidiaries in France, Italy, and Spain.

■Some smaller players have made cross-frontier alliances, cemented by cross-sharehold-ings. Bank of Scotland and Santander established an alliance in 1988. There have been plenty of others. Recently TSB and Cariplo of Italy set up an

■Others have pooled their resources to serve one particu-lar type of customer, often the small businessman. Royal Bank has IBOS; while Credit Agricole of France, Rabobank the Netherlands, Banco Ambrosiano of Italy, Lloyds Bank of the UK and Bayerische Vereinsbank of Germany have another agreement, allowing each others' customers access to their branches.

One area of banking where the Commission wants to see rapid progress is the crucial one of clearing systems. At present, transfers of money across frontiers and between currencies in the Twelve are

slow and expensive.

The banks are reluctant to move away too fast from their domestic clearing systems -or to give up the handsome fees they earn at present on cross-national currency transfers. But the Commission is prodding them to do so.

in the insurance markets, things are moving faster. With much of the regulatory frame-work either in place or at an advanced stage, a single Euro-pean market in insurance is well on the way.

Cultural, tax and other pecu-liarities mean that the market will be far from perfect, yet insurers across the Community recognise the scale of opportunities being created, and within the last few years there has been a plethora of initia-tives as insurers have positioned themselves to take advantage of them. Insurance has long been the poor relation in the European Commission's efforts to forge liberalisation in the financial services market, but over the past two years the Council of Ministers has

approved regulatory changes.

The second non-life directive approved by Brussels in 1989
 and now implemented by most

member states - represents the most significant step forward, by allowing medium and large commercial and industrial companies to buy insurance cover from insurers based in any member state.

Other directives will also extend to sales of personal lines of insurance to individuals throughout the Community. The European Commission hopes the Council of Ministers will approve three further directives in the next year. One would harmonise accounting standards. Two others would establish a "single licence", allowing suppliers of life and non-life insurance to operate freely across the EC.

The prospect of a single market has stimulated a number of insurance companies to expand their activities across the continent. Initiatives have taken a variety of forms.

In straight acquisition, Alli-anz, the Munich-based German insurer, has been the hungriest predator. Since the mid-1980s it THE SINGLE market seems unlikely to bring much cheer to Europe's ailing electronics industry. Most of the region's has bought subsidiaries in most European markets, inciding RAS (Italy's second largest insurer), Rhin et Moselle (of France) and Cornhill (of the UK).

In other cases, the potential cost of acquisition has been large computer and semicon-ductor companies are losing money. Their share of the global information technology

small and falling.
Europe's large semiconductor companies – for example, Siemens of Germany, Philips of excessive so, like the banks, some insurance companies have developed a variety of Holland and the French Italian SGS Thomson - produce only deals, which range from joint-ventures to strategic alliances. Royal Insurance of the UK, Fondiaria (Italy's third largest group) and Aachener und Mün-chener (of Germany) are also discussing the development of about 10 per cent of the world's output of chips, compared with 36.5 per cent for the US and 49.5 per cent for Japan. The output of Europe's com discussing the development of a long-term alliance, which seems likely to focus on busi-ness outside their home coun-tries. Other insurance compaputer manufacturers is sufficient to meet only two-thirds of

the region's demand. Its IT trade balance with the rest of nies have set up operations the world is deteriorating from scratch in neighbouring territories, or thrown more resources into existing foreign subsidiaries. Winterthur of steadily.
The sources of Europe's continuing uncompetitiveness are deeply ingrained. First, it is Switzerland and Topdanmark of Denmark have both begun less a single homogeneous market than a series of small markets, each with its own "national champion" but each direct motor-insurance subsidiaries (combining telephone sales with mass media adver-tising) in the UK; while Genone too small to allow the economies of scale necessary eral Accident and Commercial in today's capital-hungry IT Union have adopted the

Furthermore, products developed in Europe are rarely successful across national boundaries. An exception is business software developed by the Ger-man software house SAP.

market is disproportionately

which a number of multinational companies are now adopting as standard across their organisation.

Heart of the City: banks are preparing for a future when they will be able to expand across national (rontlers

Alan Cane reviews the ailing electronics industry

Second. Europe has signifisecond, Europe has significantly failed to take a lead in world IT. In semiconductors, the US companies Intel and Motorola lead in microprocessors, while Japan and other Asian countries lead in memory. The US still sets the pace frames to personal computers. while the Japanese have pioneered truly portable "note-book" computers. US companies dominate the world software market.

There are occasional bright spots. Inmos, part of the French Italian SGS Thomson group, provides IBM with key personal-computer chips, and Siemens is working with IBM on future generations of semi-

Third, Europe's computer manufacturers have found it impossible to sink their differences in the development of a united front against the US and Japanese competition. There have been continuous discussions between the lead-ing players - Siemens Nixdorf of Germany, Groupe Bull of France. Olivetti of Italy and ICL of the UK - but each attempt to put together a joint initiative has collapsed over Japan, last year, essentially put paid to any ideas of a Europe-wide coalition. Ironically, ICL at present seems to be the most successful of all the European-based computer manufacturers. It is profitable, and Fujitsu intends to market its personal computers and

workstations outside Japan. At the same time, ICL is planning

to market Fujitsu's IBM-com-

patible mainframes to custom-

ers in Eastern Europe. Competition for the native producers is certain to inten-sify. The US and Japan have been active in establishing

plants within Europe. The list includes: Motorola, Texas instruments and intel, of the US; and NEC, Hitachi. Toshiba, Sony and Mitsubishi, of Japan. In late November, Fujitsu, Japan's leading computer manufacturer, opened its first semiconductor manufacton Aycliffe, County Durham, representing the first £200m of

planned £400m investment. European countries and companies seem hopelessly divided over the best way to combat the threat from outside. Mr Michel Carpentier, director general for the information technology industries at the European Commission, says there is a five-point plan questions of management and

In search of a level playing field

for IT, by providing the impe-tus for what has become known as the European Nervous System, a trans-European data network designed to co-ordinate aspects of social policy in the countries of the Commu-

■Sponsored research will be closer to the market than in earlier programmes, which have been essentially precom-

The Commission will continue to develop training programmes, to diffuse technologi-cal skills and knowledge through the community.

alt will attempt to ensure fair competition within the IT business, by stepping up political efforts with countries that have clear structural barriers to trade.

■And it will seek ways of financing European high-technology investment: "The Commission would like to develop. in collaboration with public authorities, financial institu-tions and the industry itself, instruments to improve the financing conditions at a level which is similar to that of our main competitors."

The implication is clear: the Commission will do what it can to level the playing field, but the quality of the game through which the Commis-sion will attempt to help the ers themselves. remains a matter for the play-



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Telecommunications

Still far from a network Utopia

FROM JANUARY 1 1993. jet-setting executives will be Brittan, the competition com-European Community country, dial 00 and know that they have selected the correct access code for an interna-

tional call.
Liberalisation of the EC telecommunications market must have come a long way, one might think, if ministers who agreed this measure on November 4 – are reduced to debating such trivialities. Indeed, much has been done.

The European Commission adopted a green paper on the liberalisation of the telecoms terminal equipment sector and telecoms services in 1987.

Almost all its legislative goals have been achieved.

As Gijs de Vries, the Dutch MEP, said in September: "This in itself is a remarkable feat, in view of the highly politicised nature of the telecommunications industry and the controversial character of many of the proposed directives."

In 1989, member states agreed a directive on telecoms services and a framework directive on open network pro-vision. The former opens val-ue-added services — such as electronic mail and video-shop-ping — to competition. The latter has already spawned a sub-sidiary directive – agreed at the same November meeting of ministers - setting out the cri-teria for allowing non-discrimi-

natory access to leased lines.
Terminal equipment markets have been liberalised and, as a by-product of the single market programme, the Commission is challenging restrictive procedures for public procurement in the telecoms sector.

But much work remains

before telecoms users will be truly satisfied with "a techni-cally advanced, Europe-wide and low-cost telecommunications network" - the Utopia of the 1987 green paper. Most member states are

proving sluggish to implement the telecoms directives. A satellite green paper is set to change the regulatory environ-ment, but faces obstacles in the form of existing treaties for dividing up the "space seg-ment" of satellite activities. Perhaps, most important, the Commission still faces the difficult political question of how to break up monopolies in ordi-nary phone calls. Not that Brussels is short of

ammunition for the fight against monopolies. Within the past 18 months, the Commission has strengthened its armoury of weapons for challenging dominant positions in the public and private sector.

In September 1990, Sir Leon merger regulation which allows the Commission to examine and, if necessary, unravel takeovers which are anti-competitive. He has already acted against one tele-coms merger, forcing Telefon-ica, the Spanish telecoms monopoly, to break off shareholding links with its main suppliers of switching and transmission equipment – Alcatel and Telettra – after

techniques to expand their

French operations.

the two companies merged.

More important for the voice More important for the voice telephony question, the European Court upheld the Commission's right to use Article 90 of the Treaty of Rome to issue directives aimed at breaking up unjustified public monopolies without member states' formal approval. The telecoms terminals directive and the services directive were and the services directive were both issued under such author ity and had been challenged by

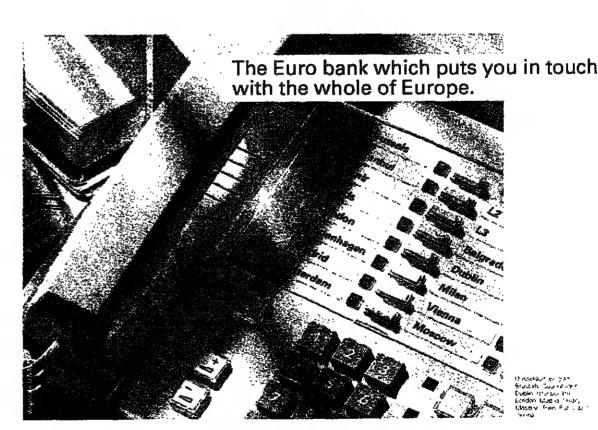
national governments.
Free-marketeers believe the reinforcement of Article 90 gives Brussels the means to champion consumers who have become fed up with paying much more for their interna-tional and intra-EC calls than their US counterparts, as a side-effect of the fragmentation of national markets.

The services directive sin-gled out voice telephony as an area in which the decision to introduce competition would be left to member states, but the Commission has to review such reserved services by the end of 1992. Brussels is already working on a voice telephony directive, which could apply the results of that review. At the same time, the Commission wants of law days tariff regions. wants to lay down tariff princi-ples. If the review finds that the national telecoms behemoths have not changed their anti-competitive ways, they may find Article 90 being used against them as well.

"In voice telephony, the Commission has three aims," says one official: "making sure the user has rights and understands what they are; opening up these networks to allow more competition and more innovative services; and trying to create a Europe-wide tele phone service which goes a little bit further than straightforward calling."

It seems unlikely that all those ambitions will be realised by 1993, but it is clear the jet-setting executive will even-tually get more from the single market than a harmonised international dialling code.

Andrew Hill



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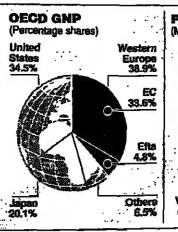
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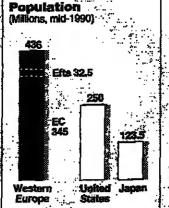
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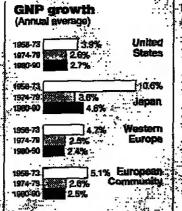
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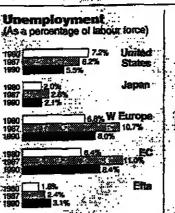
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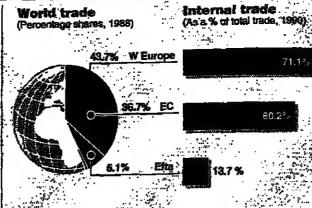


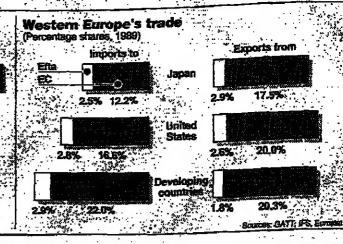




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STEEL HAS a historic status within the European Commu-nity. The single-market programme could mark the biggest threat yet to the industry's spe-

ial standing.
The Treaty of Paris, the cornerstone for the EC, has been the source of the industry's special status since 1951. The logic of the single-market programme is that steel should become an industry just like any other, subject to the normal rules of competition policy. The transfor-mation in the industry's position is symbolic of how the EC aims of economic integration have changed in a decade.

Under Article 58 of the Paris Treaty the EC. in October 1980. introduced "manifest crisis measures" which sanctioned the collusion between companies, heavy government subsidies to keep loss-making producers in business, protection against low-er-priced imports, and commission regulation of the quantity and price of virtually all steel produced within the Communications of the produced within the Communication of the producers of the produce produced within the Community. It was a free marketeer's nightmare, the antithesis of the liberal aims underpinning the

single-market programme. Supporters of the manifest crisis regime argue that, in the 1970s, steel's crisis was not purely industrial: it threatened a political crisis at the heart of the Community. The steel and coal community was the starting point for the creation of a wider common market. If the steel community had disintegrated into industrial nationalism, the development of the common market as a whole would have been retarded. So the Commission had to take responsibility for its well-being. Steel industry

Special status under threat

Nevertheless, the regime suc-ceeded in warding off national-ism only at a considerable price: distortion of the industry's structure. Smaller private-sector steel makers were driven out of business by larger groups backed by hefly state subsidies. New entrants were deterred and

technological change retarded. In the past decade, the industry has changed considerably. The manifest crisis measures were withdrawn in the late 1980s, when economic growth and lower costs pulled most steel makers back into profit. Production capacity was cut, so that surplus capacity was at the start of the 1980s to about 20m tonnes now.

Industries in France, Italy and Britain were substantially restructured under state owner ship. Thousands of workers left the industry as new technologies such as continuous casting were widely introduced.

However, in spite of political initiatives under the manifest crisis measures and the corporate initiatives to be more efficient, there are still huge swings in the industry's fortunes.

Slower growth and a steep fall in prices have taken a heavy toll upon steel-producers' finances in the past few months. British

Europe's financially strongest producer, last month reported that its first-half pre-tax profits had collapsed to just £19m, from

£100m this year. It is in good company, in Germany, first half pre-tax profits at Krupp Stahl fell 69 per cent, while at Hoesch the fall was 65 per cent. Usinor Sacilor of France warned that there were signs that the second half of its financial year would be worse than the first when pre-tax profits fell 72 per cent. On top of slow growth within

£307m last year. Analysts expect it could make a loss of up to

the west European market, producers face the threat of cheap imports from eastern Europe and tighter export markets elsewhere in the world. With east European demand

falling, about 40m tonnes of steel could be searching for a home at very low prices. In September, a tonne of sections for the construction industry could be bought in Romania for 30,000 lei (\$162).

The message is that further restructuring is needed, not just within national industries but internationally, across borders. The steel industry is remarkably fragmented by comparison with other European industries,

which are relatively capital-intensive. Four producers in the bulk chemical industry account for 80 per cent of output, the same as the oil industry. In con-trast, it takes 10 producers to make up 80 per cent of western Europe's steel output.

Further cross-border consoli-dation will be needed to put the industry on a firmer footing. This will pose tricky political questions for the EC. If it does not sanction mergers to create larger European steel groups, then it is likely that the steel market will remain unstable That in turn will raise the pros-pect of the public-sector produc-ers being given covert subsidies.

Another big obstacle to inter-national restructuring is the German industry, which German industry, which accounts for a third of European output. German producers have been notoriously unwilling to talk to other European groups about mergers. However, that may be changing, according to British steel executives, who have recently held talks with

German groups. Steel executives say there is already a single market in steel. Continental producers are used to having at least 40 per cent of their domestic market taken by other European producers. Steel prices in most west European

markets converge.

The future of the industry will turn upon the interaction of politics and markets, whether national government and the EC act to create an open competitive market, or whether they continue to intervene, however covertly, to keep the industry's historic structure intact.

Charles Leadbeater

FEW SECTORS face more upheaval from the creation of the single European market than the pharmaceuticals industry. The existing trade barriers within the EC are Gordian in their complexity - a knot of differing national regulations governing the safety, quality and efficacy of drugs, as well as their price.

The process of harmonising those regulations is a mammoth task. Prices vary considerably, and free trade is almost non-existent. The challenge is dannt ing even for the most convinced

Even so, the EC has tabled wide-ranging and far-reaching proposals. These include changes in patent protection. pharmaceutical advertising, the packaging and labelling of drugs, and the standards gov-eruing the regulation of drugs. The proposals are not uncon-troversial. Member states, as well as the industry, are

divided among themselves over the proposal At stake is the success of one of Europe's most lucrative industries. Six of the world's eight largest pharmaceutical companies are based in the UK or on the Continent. The industry, with a turnover of mor

than £28bn, is a substantial earner of hard currency. Some of Europe's pharmaceu ticals companies, such as Glaxo, Hoechst, Bayer, Ciba-Geigy and SmithKline Beecham, are giants. Fiddling with one of Europe's few industrial success stories is not done lightly. Part of the problem is that at least part of the success of the

European companies is attribut-able to the protection offered to

Pharmaceuticals

Knot of national regulations

local manufacturers. Such pro-tectionism is often rampant in

In the UK and Germany, where drug prices are high, for example, health agencies have supported indigenous manufacturers through a variety of measures. In particular, high prices are used to support ambi-tious research and development

In addition, some govern-ments have also offered attrac-tive prices for non-indigenous companies that have decided to set up manufacturing operations in their countries. Analysis estimate there is as

much as 50 per cent over-capac-ity within the EC at present.

Other states, such as Greece and Portugal, have little interest in supporting local manufac-turers, but are more concerned about the scale of their pharma-ceuticals bill. These countries have tended to keep down their

Not surprisingly, the discrep-ancies in pricing are at times

of patent protection. On December 19, internal market ministers will be meeting to discuss the extention of patent lives within the EC. The measure being discussed involves the creation of a supplementary Protection Certificate, which would extend patent life for 10 enormous. A recent report by the British-based National Con-sumer Council suggested that prices in Greece, Italy, Portugal

domestic market.

The most immediate measure that is to be decided is the issue

on the market for generic, nonon the market for generic, non-patented, products could be sig-nificant. The European Gener-ics Association argues that it could artificially raise the price of prescribing drugs, hitting the pockets of the man in the street national health common. street, patients, health services and health-care insurers.

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Dr Rainer Dittman, the association's chairman, describes the proposed regulation as a "blank cheque" for the manufacturers of branded products. He says that, if generics were substituted for branded products at the same level as the US, there would be immediate savings of as much as Ecusion a

With so much money at stake, any changes introduced from Brussels are likely to be opposed by one section or another of the pharmaceuticals communities. The path to the single market will not be easy.

Paul Abrahama

Profile: Rotork

and Spain are between 60 and 65 per cent of those of the UK. In contrast, those in Denmark, the Netherlands and former

West Germany are between 35 and 50 per cent more expensive

than in Britain. The level of parallel importing from low-priced countries to higher-

priced countries can be consid-

ing are likely to create all sorts

of adjustments from the phar-maceuticals suppliers. The fears

of the large manufacturers is that prices will fall to the low-

measure that might well benefit

government expenditure, but

which would do little for Euro-

pean research and development. They also fear that if could become increasingly difficult to

compete with US manufacturers

which would continue to bene-fit from higher prices in their

est common denominator

Keeping up standards

THE RESPONSE of many UK engineering companies to the question "What will 1992 mean for you?" is a rather defensive: "Well, of course, Europe has always been very important for us." But not everyone can say that with the same conviction

as Mr Tom Eassie. He is chief executive of Bath-based Rotork, the leading international supplier of products, systems and services for the motorisation of industrial valves. The company's central product is the electrically-operated actuator to control valves, used chiefly in the hydrocarbon, water treatment and power generation industries

Mr Eassie points out that there are some aspects of the actuator business where the single market is no longer an issue. While many industries still have to grapple with national differences in technical standards and certification issues, common standards have already been introduced on the fittings linking actuators to valves, and on

selling for hazardous locations. Similarly, there are broad global technology trends that are as important for Rotork as any single-market-related legis-lation. Customers, for example, are increasingly demanding actuators such as Rotork's with sophisticated controls to allow operation from a central loca-

Tighter environmental legisla tion, much of it emanating from California, is a further positive factor for Rotork, and of considerable importance for an environmental analysis subsidiary that is still in its infancy. Some UK environmental standards are 15 years behind their German counterparts, says Mr Eassie, explaining why non-UK sales growth will be so impor-

Rotork was export-oriented virtually from its foundation in 1957, due partly to the conser-vatism of UK valve-makers unused to actuators as an alternative to manual control

The company set up a French quently expanded its presence in Europe and elsewhere through licensing agreements.

Apart from a Japanese licensing agreement, these have now been terminated in favour of the company's own salesforces, recognising the complexity of a selling process involving the valvemaker, the end-user and, frequently, engineering consultants and contractors.

But pre-1992 selling has not been plain sailing for Rotork. In Germany, for example, domestic competitors control a market which prefers cheaper actuators, and treats the product as a com-

And in the power-generating equipment market in particular, buying practices have traditionally been intensely nationalistic. Mr Eassie says that Electricité de France (EdF), the big utility, has never bought a Rotork actu-

It is in this area that he hopes the EC's new public procurement rules - an integral part of the 1992 programme - may

nies which itherto had only been buying parts from local suppliers to widen their supply net. Mr Eassie concedes that up with the rest of the EC. this may take a while, but be believes Rotork could be well

ing to accept microtechnology, become more influential. The German power market may still be difficult for Rotork, because of the buying prefer ences of power-engineering groups such as Asea Brown Boveri or Siemens, Mr Eassie suggests. However, he points out that the power market as a whole is a relatively declining business for Rotork, because valves are not used as much in

placed as younger engineers in the power industry, more will-

modern gas turbine power In the hydrocarbon industry, where Rotork actuators are sold mainly at the downstream end, buying practices are very differ-

ent, and already pan-European.
But there has been an indirect
effect of the single market
changes in Spain. Here, Rotork
has been working flat out over
the next two years as Spanish the past two years as Spanish industry - and particularly the

Rotork is expending its on-the-ground presence in Europe, having opened a Dutch office earlier this year, and further development of sales networks is likely as the company moves to fill gaps in its coverage.

Another area where single market reforms might be

thought to have an affect is in Rotork's own purchasing arrangements. Alone among the leading players in a fragmented industry, it buys all the parts for its actuators, concentrating on designing, assembly and sell-

actuator, and Rotork has hundreds of suppliers. The ideal supplier, says Mr Eassie, is sit-uated within 50 miles of Bath and heavily dependent on Rotork, giving ease of commu-nication and keen prices.

But Rotork is sourcing some motors, gears and castings from Europe, and purchasing policy is already "sort of pan-European," says Mr Eassie.

Andrew Baxter

Feb 14 '91

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